

The Economist

MARCH 14TH–20TH 2015

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Apple and the age of wearables

The dangerous rise of Marine Le Pen

Israel's election: Why Bibi is a bad deal

The enduring appeal of business cards

Your ancestor was a fungus

Firing up America



A SPECIAL REPORT ON AMERICA'S LATINOS

Tiger Woods



Official Score Card			
108th U.S. Open Championship®			
Questions as to the Rules of Golf must be referred to the USGA Rules Committee			
Competitor	Tiger Woods		
Round	Playoff	Date	6/16/2008
		Hole #	1
		Time	9:00 a.m.



10	11	12	13	14
414	204/221	504	539/614	435
4	3	4	5	4
4	4	5	4	4

Tiger Woods



Just being an ordinary scuba diver wasn't enough.
So he trained to become a master cave diver.
Just helping underserved kids wasn't enough,
so he established a foundation of his own.
He approaches each new challenge with
the same intensity that he brings to his game.
And no matter how far he goes, or even how deep,
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Of everywhere he's been.
And the places he's yet to go.




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A scenic photograph of a coastal property. On the left, a multi-story stone building with arched windows and a balcony is partially obscured by a large, leafy tree. A person is sitting on a lounge chair on the balcony, which has a metal railing. The building is situated on a rocky cliff overlooking the ocean. The water is a deep blue with white foam from waves crashing against the rocks. A purple rectangular banner with a decorative border is superimposed over the middle of the image, containing the text "Ralph Lauren" in a white, elegant script font.

Ralph Lauren

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On the cover

The rise of Latinos is a huge opportunity. America mustn't squander it: leader, page 15. One American in six is now Hispanic. By mid-century it will be more than one in four. Our special report, after page 48, explains how that will give America a big dose of youth and energy, just as its global competitors are greying

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to take part in "a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."

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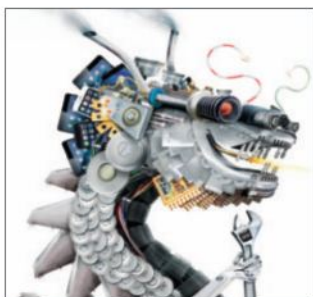


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Politics



Russia detained five men from Chechnya, an unruly southern region, for the murder of Boris Nemtsov, an opposition politician who was recently shot in Moscow. One of the alleged suspects is a former commander of a militia linked to Ramzan Kadyrov, Chechnya's leader and ally of Russia's president, Vladimir Putin.

Italy's highest court confirmed the acquittal of **Silvio Berlusconi** on charges of paying for sex with an underage dancer in the "bunga bunga" sex case. The former prime minister finished his last day of community service recently on separate charges of tax fraud. He is now free to rally his Forza Italia party for regional elections in May. But he is severely weakened and his party is divided.

Sweden scrapped a deal to sell arms to **Saudi Arabia** after the Saudis stopped the Swedish foreign minister giving a speech to the Arab League in which she planned to denounce the Saudi record on human rights. The kingdom recalled its ambassador from Sweden. Meanwhile, the **German** economy minister, on a visit to the Gulf region, called for the release of Raif Badawi, a liberal blogger who has been sentenced to 1,000 lashes in Saudi Arabia.

Repulse the repellent

Iraqi forces advanced into parts of Tikrit in their biggest offensive yet against **Islamic State**. Tikrit lies between Baghdad, the capital, and Mosul, a big city that fell to IS last year.

Jihadists from IS killed a 19-year-old **Israeli Arab** who had travelled through Turkey, apparently to join the group. IS claimed he was a spy and released a video that appears to show him being shot and killed by a child.

Simone Gbagbo, the wife of **Ivory Coast's** former president, Laurent Gbagbo, was sentenced to 20 years in prison for her role during the turmoil in 2011 after the presidential election, when her husband refused to accept defeat and around 3,000 people were said to have been killed. Other leading figures in the ousted regime were handed similar sentences. Mr Gbagbo himself is awaiting trial in The Hague.

Schools and universities were closed in **Chad** after three people were killed in protests against a new law compelling motorcyclists to wear helmets.

E-mailgate



Hillary Clinton held a rare press conference to address concerns about her use of a personal e-mail account while she was secretary of state. She insisted the account was above board and said she had subsequently handed over all communications about official business to the government, but had deleted e-mails about her private affairs, such as her mother's funeral. Mrs Clinton's critics, on the left as well as the right, maintain that she has not answered serious questions about transparency.

The White House criticised the Republicans in the Senate for sending an open letter to **Iran** claiming that Barack Obama does not have the constitutional authority to do a deal over

its nuclear programme and suggesting that Congress could overturn an agreement. With a deadline for a deal fast approaching, Mr Obama warned the Republicans to stop trying to derail the talks.

Two police officers were seriously injured by gunfire in **Ferguson**, the town in Missouri that has endured a wave of protests after the shooting last August by police of an unarmed black man. The injured police were guarding the precinct office when a crowd formed as news emerged that the town's police chief had resigned. The town's manager has also stepped down in response to the Justice Department's recent scathing report into policing in Ferguson.

Gone to pot

A Supreme Court justice in **Brazil** released the names of 34 politicians in office, mostly allies of the government, who are to be investigated in connection with the bribery scandal surrounding Petrobras, a state-controlled oil company. Dilma Rousseff, the president, will not be investigated. But her televised speech on International Women's Day was drowned out in some big Brazilian cities by people banging pots in protest.

Barack Obama issued an executive order freezing the assets of seven **Venezuelan** officials for allegedly abusing human rights and press freedoms and for corruption. They include the directors of the national police and of the intelligence service. Nicolás Maduro, Venezuela's beleaguered president, described the order as the most harmful step ever taken by America against his country.

Negotiators for **Colombia's** government and the FARC guerrillas agreed to co-operate to remove landmines, a breakthrough in talks in Havana aimed at ending a war that has lasted 50 years. Landmines have killed or injured 11,000 people since 1990. In a further sign of progress, Colombia's president, Juan Manuel Santos,

said the armed forces would suspend their bombing of FARC's encampments.

Clamp down

In **Pakistan** troops raided the headquarters of the Muttahida Qaumi Movement, or MQM, the biggest political party in Karachi, making arrests and seizing weapons. The MQM, which was formed to represent the interests of Urdu-speaking migrants, has ruled the city with an iron fist for three decades, during which time political violence has mushroomed. Schools and offices closed after the raid for fear of reprisals.

A special court in **India** ordered Manmohan Singh, who was prime minister for a decade until last year, to be questioned as a defendant in a trial for criminal conspiracy. During his time in office Mr Singh took personal charge of India's coal ministry, but is now embroiled in a scandal over the alleged corrupt provision of coal deposits to a favoured company, Hindalco.

In a reminder of its not-too-distant past, police in **Myanmar** used batons to break up a student demonstration in Letpadan, a town 140km north of Yangon. The students were protesting against a bill that gives the government more powers over academic life.



A senior Chinese official said the government would introduce plans by 2017 to raise the **retirement age**, which is currently 60 for men and as low as 50 for female blue-collar workers. Adjustments would be gradual. By 2050, he said, people over 60 will make up nearly 40% of the population, up from 15% today.

Business



Apple rolled out its first entirely new product since the death in 2011 of Steve Jobs, its founder. **Apple Watch**, which will go on sale next month, can be used to make payments, monitor heart rates and check e-mail. It even tells the time. But with prices ranging from \$350 to \$17,000 (for a gold edition) and a battery lasting just 18 hours before a recharge, many wonder if this really is the moment when wearable devices will break through.

Diverging paths

The European Central Bank announced, via Twitter, that it had started its **quantitative-easing** programme, through which it expects to buy €60 billion (\$64 billion) a month in bonds until September 2016. Yields swooned on government debt issued by euro-zone members, entering negative territory on some shorter-term bonds. The **euro** fell below \$1.06 to reach a 12-year low against the greenback.

Another factor driving down the euro was a robust monthly jobs report in America. Its strengthening economy has heightened expectations that the **Federal Reserve** will drop the word "patient" from its policy statement on March 18th, which would be a clear signal to markets that it is preparing to raise interest rates.

The **Bank of Korea** cut its benchmark interest rate to 1.75%, a record low, joining a growing number of central banks trying to stave off the threat of deflation and sluggish growth. Thailand's central bank also reduced its rate.

All of America's big banks passed the Fed's **stress tests** for the first time since the annual examination of their capital buffers was introduced in 2009. But Goldman Sachs, JPMorgan Chase and Morgan Stanley had to modify their plans to return capital to shareholders and Bank of America was given only a conditional approval for its plan, which it must revise by October. The American units of Deutsche Bank and Santander, two big European banks, failed the tests.

Tidjane Thiam was appointed as chief executive of **Credit Suisse**. He will take over from Brady Dougan in June. The Swiss bank poached Mr Thiam from Prudential, a big British insurer that he has led successfully since 2009. His lack of experience in the banking industry did not stop shareholders cheering his selection in the hope that he will shake-up Credit Suisse, which has not undergone the same root-and-branch reform as UBS, its larger Swiss rival.

TSB, a British bank that floated on the stockmarket last year after being spun off from Lloyds Banking Group, received a takeover bid from **Sabadell**, Spain's fifth-largest

bank. Lloyds still owns half of TSB. In 2008 the British Treasury bailed out Lloyds TSB, as it was then known. This week it sold another £500m (\$750m) of the shares it holds in Lloyds, reducing the taxpayers' stake to just below 23%.

A raft of indicators suggested that **China's economy** is cooling more rapidly than had been thought. Official data for January and February (two months combined to flatten the statistical swings from China's new-year holiday) recorded sharp declines in the rates at which industrial production, retail sales and investment in fixed assets are growing. Property sales fell by the most in three years.

China's finance ministry, meanwhile, brought in measures to tackle another cloud looming over the economy: **local-government debt**, which has ballooned to over 40% of GDP. Local authorities can now refinance 1 trillion yuan (\$160 billion) of existing high-interest debts for lower-cost bonds, which could save them up to 50 billion yuan this year in interest costs alone.

General Motors said that it would launch a \$5 billion share buy-back plan, a conces-

sion to demands from a group of activist hedge funds that last month pressured the carmaker to return \$8 billion to investors. GM's plan seemed to satisfy the dissidents.

Back to black

After three consecutive years in the red, **Virgin Atlantic** reported a small annual pre-tax profit of £14.4m (\$23.7m). The airline has bought new and efficient planes and benefited from cheaper oil, but the main factor behind its return to profit is its alliance with Delta Air Lines, which bought a 49% stake in Virgin in 2013. This has helped Virgin reduce costs and close unprofitable routes. However, the European Union is investigating whether Virgin has ceded too much control of its business to Delta under their arrangement.

Solar Impulse 2 took off from Abu Dhabi on the first leg of its record-breaking attempt to traverse the globe over the next five months. The **solar-powered** aircraft has a 72-metre wingspan but cramped conditions mean it can seat only one of its two pilots at any one time. Sounds like economy class.

Other economic data and news can be found on page 91-92



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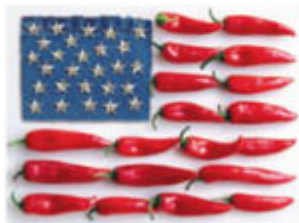
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How to fire up America

The rise of Latinos is a huge opportunity. The United States must not squander it



A SATIRICAL film in 2004, called “A Day Without a Mexican”, imagined Californians running scared after their cooks, nannies and gardeners had vanished. Set it in today’s America and it would be a more sobering drama. If 57m Hispanics were to disappear, public-school playgrounds would lose one child in four and employers from Alaska to Alabama would struggle to stay open. Imagine the scene by mid-century, when the Latino population is set to have doubled again.

Listen to some, and foreign scroungers threaten America, a soft-hearted country with a wide-open border. For almost two centuries after America was founded, more than 80% of its citizens were whites of European descent. Today, non-Hispanic whites have dropped below two-thirds of the population. They are on course to become a minority by 2044. At a recent gathering of Republicans with presidential ambitions, a former governor of Arkansas, Mike Huckabee, growled about “illegal people” rushing in “because they’ve heard that there is a bowl of food just across the border.”

Politicians are right that a demographic revolution is under way. But, as our special report this week shows, their panic about immigration and the national interest is misguided. America needs its Latinos. To prosper, it must not exclude them, but help them realise their potential.

A Hispanic attack

Those who whip up border fever are wrong on the facts. The southern frontier has never been harder to cross. Recent Hispanic population growth has mostly been driven by births, not fresh immigration. Even if the borders could somehow be sealed and every unauthorised migrant deported—which would be cruel and impossible—some 48m legally resident Hispanics would remain. Latino growth will not be stopped.

They are also wrong about demography. From Europe to north-east Asia, the 21st century risks being an age of old people, slow growth and sour, timid politics. Swelling armies of the elderly will fight to defend their pensions and other public services. Between now and mid-century, Germany’s median age will rise to 52. China’s population growth will flatten and then fall; its labour force is already shrinking. Not America’s. By 2050 its median age will be a sprightly 41 and its population will still be growing. Latinos will be a big part of that story.

The nativists fret that Hispanics will be a race apart, tied to homelands racked by corruption and crime. Early migrants from Europe, they note, built new lives an ocean away from their ancestral lands. Hispanics, by contrast, can maintain ties with relatives who stayed behind, thanks to cheap flights and Skype. This fear is wildly exaggerated. People can love two countries, just as loving your spouse does not mean you love your mother less. Nativists are distracting America from the real task, which is to make Hispanic integration a success.

An unprecedented test of social mobility looms. Today’s Latinos are poorer and worse-educated than the American av-

erage. As a vast (and mostly white) cohort of middle-class baby-boomers retires, America must educate the young Hispanics who will replace them, or the whole country will suffer. Some states understand what is at stake—and are passing laws to make college cheaper for children with good grades but the wrong legal status. Others are going backwards. Texas Republicans are debating whether to make college costlier for undocumented students—a baffling move in a state where, by 2050, Hispanic workers will outnumber whites three to one.

Politicians of both left and right will have to change their tune. For a start, they will have to stop treating Hispanics as almost a single-issue group—as either villains or victims of the immigration system. Almost 1m Latinos reach voting age each year. With every election, Hispanics will want to hear less about immigration and more about school reform, affordable health care and policies to help them get into the middle class.

Republicans have the most work ahead. The party has done a wretched job of making Latinos feel welcome, and suffered for it at the polls. Just 27% of Hispanics voted for Mitt Romney, the Republican presidential candidate in 2012, after he suggested that life should be made so miserable for migrants without legal papers that they “self-deport”. Yet Democrats have no reason to be smug. At present, most Latinos do not vote at all; as they grow more prosperous their votes will be up for grabs. Jeb Bush, a putative White House contender in 2016 who is married to a Latina, has wooed Latinos by saying that illegal migration is often an act of family “love”.

Since their votes cannot be taken for granted, Hispanics will become ever more influential. This is especially true of those who leave the Catholic church to become Protestants. This subset already outnumbers Jewish-Americans, and is that rare thing: a true swing electorate, backing Bill Clinton, George W. Bush and Barack Obama. America should welcome the competition: its sclerotic democracy needs swing voters.

Chilies in the mix

Anxious Americans should have more faith in their system. High-school-graduation rates are rising among Latinos; teenage pregnancy is falling. Inter-marriage between Hispanics and others is rising. The children and grandchildren of migrants are learning English—just like immigrants of the past. They are bringing something new, too. A distinctive, bilingual Hispanic American culture is blurring old distinctions between Mexican-Americans and other Latinos. That culture’s swaggering soft power can be felt across the Spanish-speaking world: just ask artists such as Romeo Santos, a *bachata* singer of Dominican-Puerto Rican stock, raised in the Bronx. His name is unknown to many Anglos, but he has sold out Yankee Stadium in New York (twice) and 50,000-seat stadiums from Mexico City to Buenos Aires. One of his hits, “Propuesta Indecente”, has been viewed on YouTube more than 600m times.

America has been granted an extraordinary stroke of luck: a big dose of youth and energy, just as its global competitors are greying. Making the most of this chance will take pragmatism and goodwill. Get it right, and a diverse, outward-facing America will have much to teach the world. ■

Global manufacturing

Made in China?

Asia's dominance in manufacturing will endure. That will make development harder for others



BY MAKING things and selling them to foreigners, China has transformed itself—and the world economy with it. In 1990 it produced less than 3% of global manufacturing output by value; its share now is nearly a quarter. China produces about 80% of the world's air-conditioners, 70% of its mobile phones and 60% of its shoes. The white heat of China's ascent has forged supply chains that reach deep into South-East Asia. This "Factory Asia" now makes almost half the world's goods.

China has been following in the footsteps of Asian tigers such as South Korea and Taiwan. Many assumed that, in due course, the baton would pass to other parts of the world, enabling them in their turn to manufacture their way to prosperity. But far from being loosened by rising wages, China's grip is tightening. Low-cost work that does leave China goes mainly to South-East Asia, only reinforcing Factory Asia's dominance (see pages 69-70). That raises questions for emerging markets outside China's orbit. From India to Africa and South America, the tricky task of getting rich has become harder.

Work to rule

China's economy is not as robust as it was. The property market is plagued by excess supply. Rising debt is a burden. Earlier this month the government said that it was aiming for growth of 7% this year, which would be its lowest for more than two decades—data this week suggest even this might be a struggle (see page 48). Despite this, China will continue to have three formidable advantages in manufacturing that will benefit the economy as a whole.

First, it is clinging on to low-cost manufacturing, even as it goes upmarket to exploit higher-value activities. Its share of global clothing exports has actually risen, from 42.6% in 2011 to 43.1% in 2013. It is also making more of the things that go into its goods. The World Bank has found that the share of imported components in China's total exports has fallen from a peak of 60% in the mid-1990s to around 35% today. This is partly because China boasts clusters of efficient suppliers that others will struggle to replicate. It has excellent, and improving, infrastructure: it plans to build ten airports a year until 2020 (see page 47). And its firms are using automation to raise productivity, offsetting some of the effect of higher wages—the idea behind the government's new "Made in China 2025" strategy.

China's second strength is Factory Asia itself. As wages rise, some low-cost activity is indeed leaving the country. Much of this is passing to large low-income populations in South-East Asia. This process has a dark side. Last year an NGO found that almost 30% of workers in Malaysia's electronics industry were forced labour (see page 61). But as Samsung, Microsoft, Toyota and other multinational firms trim production in China and turn instead to places such as Myanmar and the Philippines, they reinforce a regional supply chain with China at the centre.

The third advantage is that China is increasingly a linchpin of demand. As the spending and sophistication of Chinese

consumers grows, Factory Asia is grabbing a bigger share of higher-margin marketing and customer service. At the same time, Chinese demand is strengthening Asian supply chains all the more. When it comes to the Chinese market, local contractors have the edge over distant rivals.

Deft policy could boost these advantages still further. The Association of South-East Asian Nations (ASEAN) is capable of snapping up low-end manufacturing. China's share—by volume—of the market for American shoe imports slipped from 87% in 2009 to 79% last year. Vietnam, Indonesia and Cambodia picked up all the extra work. But ASEAN could do far more to create a single market for more complex goods and services. Regional—or, better, global—deals would smooth the spread of manufacturing networks from China into nearby countries. The example of Thailand's strength in vehicle production, which followed the scrapping of restrictions on foreign components, shows how the right policies can weld South-East Asian countries into China's manufacturing machine.

Unfortunately, other parts of the emerging world have less cause to rejoice. They lack a large economy that can act as the nucleus of a regional grouping. The North American Free-Trade Agreement has brought Mexican firms into supply chains that criss-cross North America, but not Central and South American ones. High trade barriers mean western Europe will not help north Africa in the way that it has helped central and eastern Europe.

And even when places like India or sub-Saharan Africa prise production from Factory Asia's grasp, another problem remains. Manufacturing may no longer offer the employment or income gains that it once did. In the past export-led manufacturing offered a way for large numbers of unskilled workers to move from field to factory, transforming their productivity at a stroke. Now technological advances have led to fewer workers on factory floors. China and its neighbours may have been the last countries to be able to climb up the ladder of development simply by recruiting lots of unskilled people to make things cheaply.

Exports still remain the surest path to success for emerging markets. Competing in global markets is the best way to boost productivity. But governments outside the gates of Factory Asia will have to rely on several engines of development—not just manufacturing, but agriculture and services, too. India's IT-services sector shows what can be achieved, but it is high-skilled and barely taps into the country's ocean of labour.

Put policy to work

Such a model of development demands more of policymakers than competing on manufacturing labour costs ever did. A more liberal global regime for trade in services should be a priority for South America and Africa. Infrastructure spending has to focus on fibre-optic cables as well as ports and roads. Education is essential, because countries trying to break into global markets will need skilled workforces.

These are tall orders for developing countries. But just waiting for higher Chinese wages to push jobs their way is a recipe for failure. ■

French politics

The resistible rise of Marine Le Pen

France's mainstream parties must do more to counter the far-right National Front



ALMOST 13 years have passed since the then leader of the Front National (FN), Jean-Marie Le Pen, shocked the world by reaching the run-off in the presidential election of 2002. The far-right party, now led by his daughter, Marine, came first in last year's European elections. It is expected to be top again in the first round of local elections on March 22nd, with perhaps 30% of the vote. Back in 2002 Le Pen père was so widely loathed that the left and the right rallied around Jacques Chirac, who won the run-off easily. Today, by contrast, there is no such united front. Instead, mainstream politicians openly speculate about Ms Le Pen reaching the second round in the 2017 presidential election—and, just conceivably, winning it.

Ms Le Pen is a more appealing political leader than her father. To detoxify the FN's brand she has shed much of the neo-fascism, racism and anti-Semitism it once embodied. She is working hard to strengthen the party's foundations, so that it is acquiring not only more voters but also more members and greater political experience. The party has 1,500 councillors and two deputies in the National Assembly. The transformation of the FN's image is striking: even among young people, to be a supporter is no longer taboo. Indeed, voting FN has become semi-respectable (see page 53).

The Marine blues

That is deeply worrying. For all the softening of its image, the FN remains an extremist party. It is fiercely anti-immigrant. The overt anti-Semitism has been toned down, but its xenophobia continues under the theme of warnings against Islamism. That is one reason why the FN continued to gain ground after the *Charlie Hebdo* murders in January.

The party's wrong-headed economic policies still smack of its far-right origins. It is not just anti-immigrant but anti-globalisation. It opposes free trade and free markets, displaying a strong protectionist streak. Ms Le Pen rails against France's membership of the euro and is hostile to the free movement of goods, services, capital and labour that lie at the heart of the European single market. She is anti-American and an admirer of Russia's president, Vladimir Putin, backing his annexation of Crimea and his actions in Ukraine. It is no coincidence that the FN has taken a big loan from a Kremlin-linked bank.

It is possible that Ms Le Pen intends to carry her party to the conservative mainstream. But it would be rash to bank on that. Rather than speculating about the odds of her reaching the Elysée, France's mainstream politicians need to work far harder to head off Ms Le Pen and her party.

The best answer is for them to deal with the malaise that grips so many of France's morose voters. An economy that is barely growing, with unemployment at a 16-year high of 10.4% and youth unemployment close to 25%, offers fertile ground for the FN. The Socialist government of François Hollande, France's president since May 2012, has belatedly embarked on reforms to make France more competitive and growth-friendly—but only after wasting its first 30 months. Time is therefore short. The fruits of reform may not be evident by 2017.

That is why both the centre-left and the centre-right need to train more of their firepower on the FN. They must not only expose its financing and its links to Russia but also attack its misguided policies head on. The country that is the world's sixth-biggest merchandise exporter and home to its fourth-biggest stock of foreign direct investment cannot afford to turn its back on free trade, free markets and foreigners. A Le Pen presidency—however unlikely—would be a catastrophe for France, Europe and the world. That is a message mainstream French politicians cannot repeat too often. ■

Britain's economy

Spurious George

The chancellor is poised to put forward a long-term plan for Britain—about the wrong thing



THE British government's great boast is its resolve. Fainter hearts might have trembled before the political law that you cannot cut your way to re-election. But the Conservative-Liberal Democrat coalition, forged in the dark days following the financial crisis, formed a plan for the economy and stood its ground. Its reward has been to see unemployment tumble and Britain grow faster than any other big rich country in 2014.

It is a rousing refrain. And when George Osborne, the chan-

cellor of the exchequer, gives the budget speech on March 18th, less than two months before a general election that will revolve around the economy, he is sure to utter the words "long-term economic plan" and to affirm his iron commitment to a fiscal surplus for Britain by 2018-19 (see Bagehot).

The shabby truth, however, is that the success of Mr Osborne stems from the goals he has abandoned, rather than the guns he has stuck to. And next week, unless his budget plans are more apt, Britain risks paying a heavy price.

The government has done sensible things with Mr Osborne as chancellor—not least cutting corporation tax, raising the income-tax threshold and pinching Mark Carney from Canada for the Bank of England. But it has been at its best when it has ►

► been at its least consistent, in three main areas.

The first is fiscal policy. Five years ago the Conservatives pledged to eliminate almost all of Britain's structural deficit—then estimated at 8.7% of GDP—by the end of their term. They now lead a coalition government that is only half way there. Borrowing this year will probably be about 5% of GDP or £90 billion (\$135 billion), £55 billion more than first planned. After two years of weak growth, because of austerity and a European slump, the chancellor pushed back his deadline for closing the deficit. So much for what was then known as “Plan A”.

Red box, black box

That change was welcome and necessary. Sticking to the plan would have meant tax rises or bigger cuts to public spending, or a combination of the two. It would probably have pitched the economy back into recession, and might have wrecked public services. As it is, the state has coped with deep but steady cuts. Crime is down and the sky has not fallen on local government or the National Health Service.

A second change of course was equally welcome. After coming to power in 2010, the coalition first stuck to the previous Labour government's plans to slash capital budgets. Public investment—always the easiest bill to cut quickly—fell by 35% in two years. That was foolish. Spending on infrastructure is essential to long-term growth and is chronically low in Britain. Mr Osborne tempered the cuts in infrastructure spending starting in 2011. Again, his change of heart was good.

The biggest and best departure from the blueprint is also the most embarrassing. Before he became prime minister, David Cameron pledged to reduce annual net migration to the “tens of thousands”. The coalition government has never abandoned that goal. Yet at the last count net migration stood at a UKIP-maddening 298,000 and rising. Because they are young, healthy, hardworking and enterprising, immigrants have boosted growth and swelled the public purse. A big fall in net migration would have weighed on the economy: GDP has risen by 7.8% over this parliament; GDP per person is up by only 4.2%.

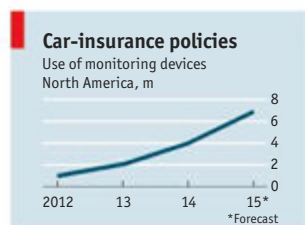
You might think that the government's vacillations are ancient history or that doing the right thing is more important than saying it. But plans focus the mind. And in the upcoming budget Mr Osborne risks focusing minds on the wrong issue.

Britain's biggest problem today is not the deficit but stagnant productivity growth that leaves output per hour 2% below its peak in 2008 (see page 58). The country's economic future depends far more on boosting how much Britons produce at work than how quickly the deficit is cut. Mr Osborne surely knows that and may secretly plan to shift priorities later. But he is making good policy less likely. U-turns are embarrassing, so plans tend to last for too long. By preparing for deficit-cutting and neglecting productivity, government departments are dissipating their efforts. Mr Osborne did well to change course before. The right thing today is to make a plan for productivity—and stick to it. ■

Risk and data

A tricky business

Data-driven underwriting contains great promise and grave perils



INSURANCE rests on the idea of imperfect knowledge. Since its creation in the 17th century, insurers have sought to amass lots of policies in each class of risk they cover. They do so not only to make money, but also to be safer. This is the law of large

numbers. Insurers don't know exactly where risks lie. By insuring a barrelful of policies, it matters less if one of them is bad.

But the law of large numbers is threatened by the rule of precise data. Thanks to technology, insurers have access to more and more information about the risks that individuals run (see page 71). Car insurers have begun to set premiums based on how actual drivers behave, with “telematic” tracking devices to show how often they speed or slam on the brakes. Analysts at Morgan Stanley, a bank, predict that damage to insured homes will fall by 40-60% if smart sensors are installed to monitor, say, frayed electrical wiring. Some health insurers hand out digital fitness-bands to track policyholders' vital signs—and give discounts if they lead a healthier life. The launch of the Apple smartwatch this week will give the market for such wearable devices a kick (see page 63).

Precise data go only so far. Even the safest driver can be hit by a falling tree; people in connected homes still fall off ladders. But the potential gains from smart insurance are large. First, giving people better insights into how they are managing

risk should help them to change their behaviour for the better. Progressive, an American car insurer, tells customers who use its trackers where they tend to drive unsafely; they crash less often as a result. Second, pricing will become keener for consumers. The insurance industry made \$338 billion in profits last year. More accurate risk assessment should result in lower premiums for many policyholders. Third, insurers should be able to spot fraud more easily, by using data to verify claims.

Big Mother is watching you

But two worries stand out. One is a fear that insurers will go from being companies you hope never to deal with to ones that watch your every move. The other, thornier problem is that insurers will cherry-pick the good risks, leaving some people without a safety net or to be dumped on the state.

Take the Orwellian fear first. Forgone privacy is the price the insured pay for receiving personalised pricing. Many people are indeed willing to share their data, but individuals should always have to opt in to do so. Some worry that this safeguard may not be enough: the financial costs of not sharing data may be so great that people have no real choice over whether to sign up. But the size of the discount available to those who share data will depend on what information insurers can use. And that leads to the second concern.

This is the worry that more precise underwriting will create a class of uninsurable people, selected out of insurers' businesses because they are too high a risk. For some types of cov- ►►

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er, that would be a reasonable outcome. People who choose to drive like maniacs should have a hard time getting insurance. People who live on the hurricane-prone Florida coast ought to pay more to protect themselves against the risk of flooding—perhaps, for new houses, even a prohibitive amount. By the same token, it makes sense to offer rewards, in the form of discounts to premiums, to customers who behave well. Incentivising people to eat better, exercise regularly, drink in moderation and avoid smoking would reap huge health dividends.

Where things get harder is with risks that individuals cannot control. There are few things that people have less choice about than their genes. One option is to distort the market by requiring insurers to be blind to genetic data. In 2011, for example, Europe banned insurers from using gender to calculate annuities. Now that men's shorter lifespans are no longer taken into account, that has led to lower payments. It seems a per-

verse outcome for a well-understood risk.

Another option is to allow the market to let rip. Insurers could use people's genetic data, as long as they are freely given, to inform their decision-making. Insurers would charge prohibitive rates to someone at risk of developing a terminal degenerative condition like Huntington's disease, for example. Unable to affect the course of the disease by their own behaviour and excluded from insurance cover, patients would be forced to rely on the state for support.

Neither route—deliberately distorting the market or dumping more risk on the state—is attractive. Until the interplay between nature and nurture is better understood, it is right to be cautious. Insurers should be able to take note of customers' behaviour, but not exploit information from genetic testing. However, as data analysis and the understanding of genetics improve, that line will only become harder to hold. ■

Israel's election

Bibi's a bad deal

The prime minister's failures outweigh his achievements. Israelis should back Yitzhak Herzog



BINYAMIN NETANYAHU is articulate, dashing—and distrusted, by friends and foes alike. Nicolas Sarkozy, a former French president, was once heard telling Barack Obama: “I can’t stand him. He’s a liar.” Mr Obama did not demur.

This month the Israeli prime minister offered fresh glimpses of his deviousness. Following reports that he had offered the Palestinians more generous terms than his rhetoric admits, Mr Netanyahu (pictured, right) tried to regain right-wing support by repudiating his acceptance, in a speech in 2009, of (strictly limited) Palestinian statehood. This leaves a big question: is the real Bibi a man of negotiation, or of occupation? Recklessly, he gambled with bipartisan American support for Israel when he defied Mr Obama by brazenly appearing before a Republican-dominated Congress to denounce the administration's nuclear negotiations with Iran: “This is a bad deal. It’s a very bad deal. We’re better off without it.”

On March 17th Israeli voters will have their say on Bibi (see pages 26–28). In this newspaper's view he has been a bad deal for Israel. It is better off without him. His challenger, Yitzhak “Bougie” Herzog (pictured, left), is not charismatic. But he is level-headed and has a credible security and economic team. He wants talks with the Palestinians and to heal ties with Mr Obama. He deserves a chance to prove himself.

Prime minister, you're no David Ben-Gurion

In office for the past six years, having served a three-year stint in the 1990s, Mr Netanyahu is now Israel's longest-serving leader since David Ben-Gurion. That is a remarkable feat for a man whose father once doubted his suitability for the job. Mr Netanyahu's longevity is due to many factors, not least luck, cunning, a silver tongue and the loyalty of the Likud party. But his achievements are outweighed by his many flaws.

On the positive side, he has liberalised the Israeli economy and promoted a thriving high-tech sector. He navigated skill-

fully through the financial crisis and the long slump in Europe, Israel's largest trading partner. He kept Iran's nuclear programme at the forefront of world attention. He also kept Israel safe after the Arab-spring revolts of 2011, which toppled leaders and cracked fossilised states across the region. The jihadists and Shia militias that filled the void might have turned their guns on Israel, and may yet do so. For the time being they are killing each other. In the turmoil Israel has forged closer ties with Egypt and, more secretly, with Arab monarchies.

Against this, Bibi's preservation of the military occupation in the West Bank and the stranglehold over Gaza Strip must count heavily against him. He has refused to make any genuine concessions to the Palestinians, on the ground that “there is no partner for peace”—even though Mahmoud Abbas, the Palestinian president, has abjured violence and maintained security co-operation with Israel in the West Bank (Gaza is controlled by the Islamist Hamas movement). Mr Abbas himself has plenty of shortcomings, but he has also been deliberately weakened by Mr Netanyahu. Israel has cut off Palestinian tax revenues in retaliation for Mr Abbas's decision to join the International Criminal Court. The pragmatism that Mr Netanyahu sometimes expresses is belied by his actions: he has expanded settlements, thus breaking up Palestinian areas and making a mockery of the very notion of Palestinian statehood.

To Israelis traumatised by missiles and rockets, Mr Netanyahu sounds plausible when he claims that giving the Palestinians control over their own land will bring more violence. The turmoil of the Arab world deepens these fears. Had Israel handed the Golan Heights back to Syria, it might now find itself facing fighters from Hizbullah, al-Qaeda or Islamic State on the Sea of Galilee.

However, without a Palestinian state, Israel will either endanger its Jewish majority or lose its moral standing by subjugating and disenfranchising the Palestinian population. Israel will lose support abroad even when it legitimately defends itself. In the final days of the campaign, Mr Netanyahu may well play up the dangers from Iran, jihadists and Hamas. But the truth is that immobilism, too, is endangering Israel. ■



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The state of Brazil

The NOVO party in Brazil does not advocate a “minimal state” (“Niche no longer”, February 28th). Rather, we want a state that is the right size. The Brazilian government has its fingers in most aspects of a citizen’s life. Everything requires a permit, or is regulated by a law, or supervised by a bureaucrat. But at the same time more than 50% of homes do not have proper sanitation and 50,000 Brazilians are murdered each year. Last year BNDES, the state development bank, loaned almost \$100 billion to large corporations at below-market rates and the government provided even more in tax subsidies to its friends. Petrobras, the state oil company, has lost \$50 billion in corruption scandals. It takes 90 days to create a company and up to five years to close one. One in four Brazilians depends on government handouts to survive.

All that has got to change.
ROBERTO MOTTA
President of the local NOVO party
in Rio de Janeiro

The vexed generation

Your critique of pension entitlements in Britain (“The granny state”, February 28th) overlooked the inconvenient fact that British state pensions are among the worst in the developed world, according to the OECD. You want to cut off those who have been prudent from access to the state pension and other benefits. Would you also charge them for access to the National Health Service?

WYN GRANT
Royal Leamington Spa

The “pampered elders” you talk about support parents in care, help children with mortgage payments and pay school fees for grandchildren. The funding provided by these “lucky wrinklies” is a vital component of the economy.

As for bus passes, do you really think that pensioners deprived of this perk will simply pay the fares? Instead they will use their cars and our

already overcrowded roads will have to accommodate hundreds of thousands of extra vehicles.

There may be 50 shades of grey, but let’s not put pensioners all in the red.
ROGER DOWNER
Belfast

I do not understand the whingeing from the hipster generation. I have seen the return on my savings wiped out because of low interest rates, a policy that has benefited young homeowners with mortgages at the expense of older folk.

AMANDA ROBINSON
Lincoln, Lincolnshire

You studiously ignored the most important reason why some pensioners are wealthy: their income is the result of sacrificing consumption when they were younger. Means testing pensioner benefits would penalise those who forfeited a lavish lifestyle in earlier years. The message to young people would be not to bother saving for their old age.
MEREDYDD DAVIES
Gillingham, Kent

Presumably you assume the government would administer the means test efficiently through tax codes. But how would the inevitable appeals system work? Given the infirmity of a large proportion of pensioners, the system would have to travel to them. A sort of appeals on wheels.

GRAHAM PERRY
Camberley, Surrey

Send the Olympics home

I have not read Andrew Zimbalist’s book on the high cost of hosting the Olympics (“Just say no”, February 28th), but I wonder if he refers at all to a report in 1980 from the Foreign Affairs Committee of the House of Commons about the games. It was written amid the controversy of holding the Olympics in Moscow following the Soviet Union’s invasion of Afghanistan. Among the committee’s recommendations was the establishment of a permanent site for the event. The aim was to insulate the

Olympics from political controversy, but the current ruinous expense of hosting the games adds even more weight to the argument.

The government’s response to the report noted that, “It is understood that the IOC has set up a small committee to look into the possibility of a site in Greece.” It would be interesting to know what happened to that proposal.
JOCELYN STATLER
Specialist adviser to the House of Commons Foreign Affairs Committee, 1980–84
Escondido, California

No wealth of poverty data

Free exchange (February 28th) questioned the viability of the World Bank’s goal of eradicating extreme poverty by 2030. What it did not consider is that our database comprises only 86 countries. We do not have sufficient data for the rest. The last census in the Democratic Republic of Congo, a country with an estimated population of 80m, was conducted in 1984. How can we become more focused if we don’t know where our target audience is?

A first step towards achieving the 2030 goals would be to support the bank’s clients in producing robust data, which is critical for governments and development partners alike. Measuring progress towards poverty eradication itself may be hard, but counting the number of countries with at least one recent poverty estimate should be quite simple. Might it be time for the World Bank to adopt a target on eradicating data deprivation?

PHILIPPA SIGL-GLOECKNER
Office of the president of the World Bank
Washington, DC

Not once did the column recognise that China has moved over 300m people out of poverty within 30 years, an achievement unprecedented in human history. Let’s get real and learn how we can relieve widespread human suffering from what has worked. If our economic models do not fit, we should get out of the game. The overwhelming concerns

of the poor are finding work, food, health services and education for their children. Like it or not, the Chinese model has satisfied these.
CORNELIUS CACHO
Naples, Florida

A draft-dodging president

It is true that, as president, Grover Cleveland vetoed bills that were little more than pension payments to veterans of the civil war (“With a stroke of the pen”, February 28th). But he had no interest in veterans nor their problems. He even managed to dodge the draft during the civil war by paying \$150 to a Polish immigrant to act as his substitute.

CHARLES BURNS
San Francisco

You damned dirty apps!



“Planet of the phones” (February 28th) submits that a smartphone is a platform that enables software developers to “unleash creativity”. If so then I cannot understand how you resisted using the headline “Planet of the apps”.

TOM HITCHINGS
Cambridge, Cambridgeshire

I was intrigued to learn that 10% of smartphone owners admit to having used their device during sex. Do we possibly owe thanks for this to the startups that develop apps like Pleasure Max Vibrator?

STEFAN JUNGBLUTH
Heidelberg, Germany ■

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Can Binyamin Netanyahu win again?

Also in this section

27 How to build an Israeli coalition

JERUSALEM

Israel's prime minister has a fair chance of hanging on but faces a serious challenge

FROM the towers of the Kirya, Israel's military headquarters in Tel Aviv, the world looks gloomy. After repeated wars in Gaza, the calm is shaky at best. Relations with moderate Palestinians in the West Bank are fraying. Arab states are breaking up, and the void is being filled either by jihadists or by allies of Iran. Ties with America are strained over nuclear talks with the Islamic Republic. Worse, Israel's international standing is being eroded. When it accedes to the International Criminal Court in April, the Palestinian Authority, which purports to govern the territories under Israel's wary eye, will call for war-crimes investigations against Israel over last summer's Gaza war and over Jewish settlements on Palestinian land.

Yet surprisingly little of all this is being debated by political leaders as they campaign for election on March 17th. Perhaps because the problems seem so intractable, or perhaps because there is little real disagreement between the main parties, the contest is strangely bloodless. Hardly anyone speaks about peace. The Palestinians, sealed behind Israel's security walls and fences, are ghosts at Israel's political feast.

So, Israelis quip, the election is really a contest between Binyamin ("Bibi") Netanyahu, the prime minister, and someone called *Rak lo Bibi*, "Anyone but Bibi". In his

third stint as prime minister, the silver-haired Mr Netanyahu is already the longest-serving prime minister after David Ben-Gurion, and might in theory beat the record if he serves another term.

Yet even admirers would not claim that Mr Netanyahu is another Ben-Gurion, who founded the state; or a Menachem Begin, who signed a momentous peace treaty with Egypt; or even a Yitzhak Rabin, who was murdered for trying to strike a land-for-peace deal with Palestinians. Instead Mr Netanyahu has been a more assured version of the immobile Yitzhak Shamir. Bibi says no to America's nuclear deal with Iran, no to halting settlements and, in effect, no to a Palestinian state.

Articulate and cocksure, Mr Netanyahu for his part sees himself a bit like Winston Churchill, a voice in the wilderness warning of threats that others prefer to ignore, and perhaps a saviour, too. In presuming to speak for all Jews, he has offended many in the diaspora by telling them to move to Israel to flee anti-Semitism in Europe.

Will King Bibi triumph again? When he called the election in December, just two years into his term, saying his coalition was too unruly, victory seemed assured. But the opposition Labour leader, Yitzhak Herzog, joined forces with Tzipi Livni, a hawk-turned-dove, to create the Zionist

Union. It now leads the latest polls although voters say they prefer Mr Netanyahu as prime minister, and the coalition maths helps him (see box on next page). "If you want to get rid of Bibi, you have to vote for me," says Mr Herzog. Mr Netanyahu has started to talk darkly of "a huge, world-wide effort" to oust him.

In the absence of a debate between the two men, images must sum up the campaign. One was the sight of rapturous standing ovations for Mr Netanyahu in the American Congress as he denounced Barack Obama's nuclear negotiations with Iran as "a very bad deal." It was, said Jon Stewart, an American television comedian, "the longest blowjob a Jewish man has ever received." The other image was the sight of an impassioned Meir Dagan, a former head of Mossad, Israel's intelligence service, telling tens of thousands of leftists at a rally in Tel Aviv that the greatest of all the dangers facing Israel was Bibi himself.

In Israeli politics, left and right are not defined primarily by economic policy, nor religion, nor ethnicity, though these all matter. The central dispute is, as it has been since Zionism's early days, over land. The leftists are the heirs of Ben-Gurion's pragmatic Labour Zionists, who were willing to accept less than the whole British mandate of Palestine, in the hope of gaining interna- ►►

ditional acceptance, if not Arab agreement. The rightists are descendants of territorial maximalists, the “revisionists” of Zeev Jabotinsky, who argued that no concession could appease the Arabs; only an unbreachable “iron wall” would persuade them to live with the Jewish state.

Nearly seven decades after Israel’s birth, the old argument is being played out over the fate of the territories occupied by Israel in the war of 1967. The left side would accept a Palestinian state on much of the land, perhaps with a capital in East Jerusalem; the right rejects territorial concessions as a security risk, or an affront to God, or both. The differences are not always neat. Begin, a veteran revisionist who founded the Likud party, withdrew from Sinai under the peace treaty of 1979 with Egypt, and agreed to the principle of Palestinian autonomy. Labour leaders built extensively in the occupied territories.

Chip off a flinty old block

Mr Netanyahu, the son of a historian who worked for Jabotinsky, is steeped in revisionism. He is prone to denouncing domestic critics such as Mr Dagan as being part of the Labour elite, and foreign ones as fools, haters of Israel and anti-Semites.

American-educated, Mr Netanyahu rose to prominence in the 1980s as a diplomat and then as a deputy foreign minister with a gift for public relations. He became Likud leader in March 1993, shortly before the Labour prime minister, Rabin, signed the Oslo accords that handed over the Gaza Strip and the main cities of the West Bank to the Palestine Liberation Organisation (PLO), an umbrella nationalist body, pending a final agreement.

For Mr Netanyahu the Oslo deal was appeasement, and Rabin a latter-day Neville Chamberlain. When Rabin was murdered by a Jewish zealot in 1995, many on the left blamed Mr Netanyahu for “incitement”. Nevertheless, in the midst of a wave of suicide-bombings by Palestinian rejectionists, Israelis elected Mr Netanyahu as prime minister in 1996.

In office Mr Netanyahu mixed self-righteous obduracy with some concessions. He handed back part of Hebron, breaking Likud’s taboo against giving up land in “Judea and Samaria”, as many Israelis call the West Bank. He agreed to other concessions in principle, but always found reasons to renege. He alienated not just Palestinians, but also his allies, security chiefs and American officials. He even had to put up with a slight from his father, who suggested Bibi might not have been up to the job. The government fell in 1999.

The subsequent years of failed peace-making and violence embittered Israelis and Palestinians alike. For many Israelis, concessions brought only bloodshed: Rabin’s Oslo deal prompted suicide-bombings; an attempt by another prime minis-

How to build an Israeli coalition

Mind-boggling maths

TEL AVIV

The numbers favour Binyamin Netanyahu—but you never know

THE late Yitzhak Rabin used to joke that every *koalitsia* (coalition) contains a bit of *goalsitsia*—a play on the Hebrew word *goal*, meaning disgust. Israeli politics is so fractured that coalitions are hard to create and fissile once in office.

Still, the groups fall into two broad camps: the centre-left led by Labour (now part of the Zionist Union alliance), which favours territorial compromise with Palestinians; and a centre-right alliance led by Likud that resists it.

The prime minister needs at least 61 votes in the 120-seat Knesset. The latest polls have Zionist Union leading Likud by 24-21. But the arithmetic helps Likud’s Binyamin Netanyahu more than Zionist Union’s Yitzhak Herzog.

Likud would naturally ally itself to Naftali Bennett’s settler-dominated Habayit Hayehudi (predicted to win 12 seats), Avigdor Lieberman’s right-wing Yisrael Beiteinu (5) and, if need be, Eli Yishai’s far-right Yahad party (4). That would create a core of 42 seats. Mr Herzog, for his part, has a natural partner only in Zahava Gal-On’s left-wing Meretz (6), which most strongly favours a Palestinian state, for a nucleus of 30 seats.

Two centrist factions are biddable by either camp. But Moshe Kahlon’s Kulanu

(9), which promotes economic reform, hews close to Likud and the secularist Yesh Atid (13) of Yair Lapid aligns more easily with Labour. This would give Mr Netanyahu 51 seats to Mr Herzog’s 43.

The religious parties tend to be king-makers. Shas (7) appeals to Mizrahi Jews (originating mainly from Arab countries), whereas United Torah Judaism (6), draws on ultra-Orthodox Ashkenazi (European) Jews. Both have drifted to the right. They could give the prime-ministership to Mr Netanyahu with a coalition of 64 seats. But they cannot assure a majority for Mr Herzog, leaving him with just 56 seats.

Mr Herzog thus needs a deal with the Joint List of Arab and communist groups that may get 13 seats. He would struggle to forge a formal alliance with anti-Zionist Arabs but they would certainly vote against a Netanyahu-led government.

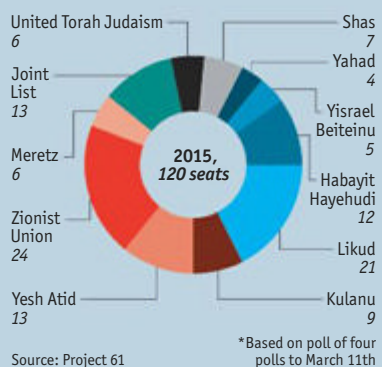
To win, Mr Herzog needs several things to fall into place. First, Zionist Union must maintain its convincing lead over Likud to stake a moral claim to run the country. Second, it must not push Meretz below the minimum four-seat threshold. Third, it needs to draw away at least one of Mr Netanyahu’s allies. The one to watch is Kulanu. Yisrael Beiteinu could also defect. An expanded alliance, plus the Joint List, may then have the votes to stop Mr Netanyahu forming a centre-right coalition.

Mr Herzog could thus head a minority government backed from outside it by the Joint List or, if he can persuade religious parties to join him, a broader government with a “Jewish majority”. Even so, he would be leading an almost impossible coalition. Yisrael Beiteinu objects to sitting alongside Meretz. And the religious parties detest Mr Lapid’s Yesh Atid.

Labour and Likud may feel, as in the past, that the blackmail by smaller parties is so intolerable that they would rather join forces in a grand national unity government. With just 45 seats between them, they would still need some Lilliputians. What a *goalsitsia*.

Shake the kaleidoscope

Seats in Israel’s Knesset, forecast*



ter, Ehud Barak, to negotiate a peace deal in 2000 precipitated an armed uprising; and the unilateral withdrawal from Gaza in 2005 by the next prime minister, Ariel Sharon, brought rockets to Israeli cities. Ehud Olmert improved on Mr Barak’s peace offer in 2008, but fell before he could convince the Palestinians to say yes.

The tumult fractured the traditional parties and let Mr Netanyahu make a

comeback, first as a liberalising finance minister under Sharon in 2003, and then as leader of the rump Likud party after Sharon created a breakaway centrist group, called Kadima. In the election of 2009 Likud came second to Kadima but Mr Netanyahu was able to put together a coalition. His second stint as prime minister was more measured. Under pressure from the newly elected Mr Obama, Mr Netanyahu ►



grudgingly agreed to a temporary slowdown in settlement-building. In a speech at Bar-Ilan University in June 2009, he even accepted the idea of a highly constrained Palestinian state: it would be demilitarised, bereft of Jerusalem and would have to give up the Palestinian refugees' claimed "right of return" to Israel. But he pushed off any peace deal with Palestinians, claiming "there is no partner": more withdrawals would bring more terrorism to the heart of Israel. That said, Mr Netanyahu managed to keep Israel out of trouble during the Arab spring of 2011 that toppled and unsettled governments all around.

After an election in 2013, Mr Netanyahu created a more overtly right-wing coalition. The government's discourse became more abrasive, particularly towards Israel's Arab citizens. Mr Netanyahu let hardliners engage in a provocative campaign to establish the right of Jews to pray at the Muslim complex around the al-Aqsa mosque, built atop the ruined Jewish temple. An effort by the American secretary of state, John Kerry, to mediate an Israeli-Palestinian deal came to nought. Mr Kerry seemed to blame mostly Mr Netanyahu: Israel had broken a promise to release Palestinian prisoners and continued to expand settlements on occupied land. "Poof!" said Mr Kerry. That was the end of the talks.

When war broke out again in Gaza last summer, the 50 days of fighting and the death of (according to Israel) 2,125 Palestinians and 70 Israelis produced a draw. Hamas, the Palestinians' radical Islamist movement, was battered but stayed in power. Mr Netanyahu was accused abroad of committing war crimes and at home of failing to finish off Hamas.

Not surprisingly, Mr Netanyahu has barely mentioned the Palestinians during his campaign. He has preferred to focus instead on the threat posed by Iran's nuclear programme. On this, at least, he has been consistent, warning of the danger of the mullahs' nuclear programme since at least 1992. His repeated warnings of an imminent Iranian bomb have proved wrong. But he did keep the issue at the forefront of international attention; the Europeans im-

posed stiff sanctions on Iran in part to forestall an Israeli attack on its nuclear sites.

Mr Netanyahu has always been a darling of American conservatives. But by choosing to address Congress in defiance of Mr Obama he risked turning America's relations with Israel into a partisan issue. Israeli voters have punished past prime ministers for lesser affronts to their great protector. But Mr Netanyahu seems to have suffered no electoral damage, and may have had a slight boost. He knows many Israelis see Mr Obama as weak and hostile (they often note the president's middle name, Hussein).

Mr Netanyahu has a penchant for good living and his wife's high-handedness has caused a stream of gossip, minor scandal and investigations into his household's use of public money. These have eroded Mr Netanyahu's support. But he is perhaps most vulnerable on the economy. Though he navigated ably through the turbulence of the global financial crisis (Israel barely suffered a recession), growth has been accompanied by high levels of inequality, for which Mr Netanyahu, a free marketer, is often blamed. The high cost of living stirred street protests in 2011. A state watchdog recently said Mr Netanyahu responded too slowly to rising house prices.

Mr Netanyahu's most visible campaign wobble came when Yedioth Ahronoth, a daily, reported that in August 2013, contrary to his public comments, the prime minister had informally proposed to negotiate with Palestinians on the basis of the 1967 border, including a deal over East Jerusalem. Mr Netanyahu denounced the report as a lie. But as right-wingers cried treachery, he tried to counter the damage by seeming to repudiate his Bar-Ilan speech on Palestinian statehood, saying it had become "irrel-

evant". Within hours, though, he seemed to retract that statement, too.

The confusion highlights a persistent trait: neither ally nor enemy quite believes his words. Often abrasive and aloof—"he has no friends," says a former aide—he has tried to market himself as a kindly father-figure. In internet campaign videos he plays comical roles: the schoolteacher who must maintain order in the classroom and the "Bibi-sitter" who keeps the children safe. Ask Likudnik voters about Bibi, and the feeling is of respect more than love. "I don't like him," says a bus driver. "But we need a prime minister who is a bastard."

Can Bougie boogie?

One reason for Mr Netanyahu's longevity is that Likud members are loyal to their leaders. Labourites, by contrast, devour them. Likud has had just two leaders since 1993; Labour has rattled through nine.

When he took over the party in late 2013 Mr Herzog pulled it from the left to the centre on economic matters. He lacked experience of big ministerial jobs and a visible military pedigree, whereas Mr Netanyahu served in a special-operations unit and his brother, Yonatan, was killed leading the raid to free hostages in Entebbe in 1976.

So Mr Herzog boasts of his venerable family. His grandfather was Israel's first chief rabbi, his father its president. Soft-spoken and with a solicitor's manner, he has tried in vain to drop his childhood nickname, "Bougie", to gain gravitas. On posters his image-makers have given him tough-guy stubble. In his campaign office someone has put up a poster of him in a James Bond guise. Videos play up his service in the signals-intelligence Unit 8200: ex-comrades tell how he took life-and-death decisions, but no one says quite what he did. And to counter titters over his nasal speech, another video notes that Ben-Gurion, too, had a funny voice.

The alliance with Ms Livni, he says, is giving him momentum. But some wonder how long the pact will last; and if it does, the prospect of her taking over from Mr Herzog as prime minister after two years under a rotation deal turns off some voters.

Mr Herzog says his priorities will be to boost social spending without widening the deficit; rekindle peace talks with the Palestinians; and knit back together the frayed relations with Mr Obama. Tellingly, he makes no promise to achieve peace. "I don't know what Palestinian leadership I will find," he says. On settlements he says only that he will choke off funds to communities outside the big settlement blocks. And on Iran he does not dispute the view that Mr Obama is negotiating a "bad deal".

Beyond the short term, the real question on March 17th is once again: who will be better able to fend off the many dangers to Israel? Neither man offers a convincing strategy—least of all Mr Netanyahu. ■



Will they switch from Bibi to Bougie?



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Technology and universities

The log-on degree

PHOENIX

College in America is ruinously expensive. Some digital cures are emerging

WILLIAM BOWEN, a former president of Princeton, calls it "Harvard envy". Other American universities try to emulate the Ivy League, which raises costs. They erect sumptuous buildings, lure star professors with fat salaries and hire armies of administrators. In 1976 there were only half as many college bureaucrats as academic staff; now the ratio is almost one to one. No wonder average annual fees at private universities have soared to \$31,000 in 2014, a rise of around 200% since the early 1970s (see chart). Each new graduate in America is now about \$40,000 in debt. People who take costly arts degrees may end up poorer than if they had never been to college (see box on next page).

Digital technology can make college cheaper without making it worse, says Michael Crow, the president of Arizona State University (ASU) in Phoenix and co-author of "Designing the New American University". This idea is not new. For a few years now, massive open online courses ("MOOCs") have enabled universities to beam lectures to wide audiences for a tiny marginal cost. The problem has always been that taking a MOOC is not the same as attending college in person. MOOCs are cheap, but students cannot bump into each other in the library and swap ideas, chit-chat or body fluids.

ASU seeks to mix online and face-to-face instruction in a way that makes both more effective. For example, one reason why college costs so much is that many students fail to graduate on time. Only three-fifths finish a four-year degree within six years. This may be because they are ill-prepared when they arrive: shaky numeracy leads many to drop out of courses that require maths. ASU uses technology to diagnose and address such shortcomings. All students are tested on arrival and given remedial help if they need it.

Teachers cannot keep an eye on all their charges, so the university's "eAdvisor system" nags them instead. Since 2008 it has given all freshmen an online achievement plan, including a constantly updated dashboard that shows whether they are on

track or drifting towards the exit.

Online introductory courses, full of prompts and explanations, ensure that teachers do not have to keep going over the basics in seminars. This frees time to teach the more difficult stuff. Data analytics allow tutors to identify which students are stuck and arrange the right response.

Early results look good: ASU has almost doubled undergraduate enrolments since 2002, to 82,000, kept its degree costs reasonably low (\$10,000 a year for in-state applicants) and increased the share of students who graduate after four years from under one-third to half. The goal is to raise that to two-thirds in this academic year.

As well as chivvying laggards, software can make courses more fun. One of the most popular at ASU, on space exploration, offers nifty interactive sessions, allowing students to learn astronomy by way of a quest to find out what a habitable extra-terrestrial world might be like.

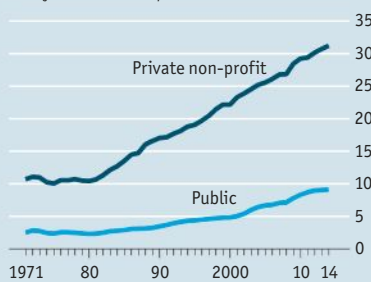
Providing more of its coursework online also helps a university to serve students far away. Phil Regier, the dean of online studies at ASU, says that the number of students who study remotely is growing fast. They tend to be older, holding down jobs, bringing up families and fitting in their studies whenever they can grab time in front of a screen. They pay the same fees as in-state students who live on campus.

This works out well for the university, which can educate more fee-paying students without building bigger lecture halls. Extra sources of income are handy at a time when the state of Arizona is cutting funding for higher education. Mr Crow is quick to spot opportunities: ASU has linked up with Starbucks, a coffee chain, to provide online degrees for company staff.

The notion that online degrees are inferior is starting to fade. Top-notch universi- ►

Academic life isn't cheap

Average annual university fees
Four-year course, 2014 prices, \$'000



Source: College Board

ties such as Pennsylvania State and Columbia now offer them in many subjects. Georgia Tech has had an online-only master's degree in computer science since 2014, which it considers just as good as its campus version. Minerva, a "virtual" university based in San Francisco, offers online seminars to students who hop from city to city gaining work and cultural experience.

Even Harvard, long a digital resister, has softened a bit. From this year, its master's course in public health can be done full-time, part-time or in intense bursts. For much of it, students do not need to be present on campus, so long as they gain the required course-credits. That touches on another idea that could change the way other courses are taught, paid for and accredited: the SPOC (Small Private Online Course).

Whereas the mass-market MOOC is aimed at large numbers of people with different levels of knowledge and commitment, SPOCs are focused on particular groups of students who are qualified to take the course and ready to interact with others while learning. Harvard's Kennedy School of Government runs a popular SPOC on American security policy: alongside the campus students in Cambridge, Massachusetts, 500 more take the course online. They are required to dedicate time to it and do lots of homework, but so far they can receive no formal credit for it.

That seems odd. Robert Lue, who runs HarvardX, the university's digital arm, says that it is becoming easier to imagine prestigious universities creating SPOCs for course-credits. Mr Lue approves. "The Harvard idea for the 21st century is not to end up as the education equivalent of a heritage park," he says.

Clayton Christensen, the Harvard professor who coined the term "disruptive innovation", thinks American universities are too firmly wedded to their old costly ways to embrace the digital revolution. But Jose Ferreira, who runs Knewton, an education technology firm, predicts that as online courses proliferate and are made easily available in the (computational) cloud, students will embrace them. The present design of colleges he sighs, resembles "a 19th-century factory that builds everything on site". In the next few years, Mr Ferreira says, at least one of America's large elite institutions will break ranks and accept credits from the best online courses as part of a mainstream degree. At that point, he reckons, "the rest will quickly follow."

Freeing universities from their geographical constraints might mean that undergraduates at, say, Ohio State could collect an extra course-credit or two from Harvard. That could increase choice for students and create new revenue streams for the universities with the best digital offerings. Old-fashioned colleges that fail to offer value for money, however, may find that their lecture halls start to empty. ■

New York's best schools

Asians beware

NEW YORK

Top marks largely go to Asians. Bill de Blasio wants to change the exams

FOR the past two years, nine-year-old Harvey Jiang has been privately tutored in maths and reading after school. This allows his parents, who left their village in China two decades ago, to work long hours in their restaurant. But this is not Beijing; this is Brooklyn, where Harvey is swotting early for a controversial exam.

New York has nine specialised high schools, of which eight admit students using the city's Specialist High Schools Admissions Test (SHSAT). The education they offer rivals that of private schools that charge \$40,000 a year. The high schools are free. The most popular, Stuyvesant, sends roughly 25% of its graduates to the Ivy League or other top colleges. The school's unofficial mantra is "Sleep, study, socialise: pick two." It admits 4% of test-takers, pickier than Harvard.

New York's Democratic mayor, Bill de Blasio, sends his son Dante to a specialised high school, Brooklyn Tech. Nonetheless, he thinks the SHSAT favours parents who can afford tutors. He wants to "broaden" (ie, relax) the admissions criteria, to help poorer black and Hispanic families.

The SHSAT also faces a legal challenge.

The NAACP, the country's biggest civil-rights legal defence fund, joined others in 2012 to file a suit demanding changes in admissions procedures. New York City's public schools, the suit claims, are among the most racially segregated in the country.

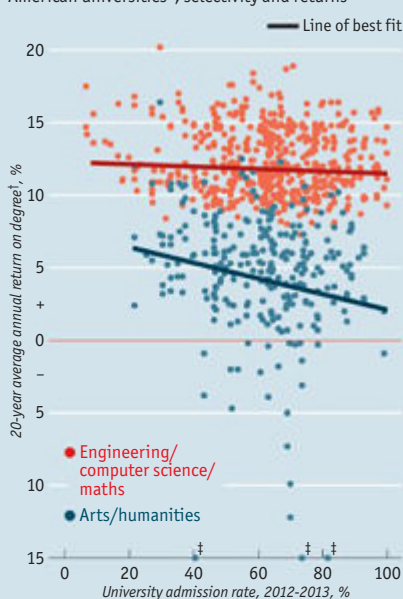
Do they have a case? Asians make up more than 70% of pupils at Stuyvesant; blacks and Hispanics combined make up 3%, and falling. White pupils took 80% of places in 1970; now it is less than 25%.

But Asian-Americans are also a minority, says Tina Jiang, Harvey's 16-year-old sister, who already goes to Stuyvesant. And many are also poor. Almost half of Stuyvesant's pupils qualify for free lunches. The difference, according to Clara Hemphill, who runs a service that reviews public schools, is the "culture of test prep" among Asians: "Even families of modest means will put their kids through that."

Moreover, looser entry criteria may merely boost white pupils. Sean Corcoran of New York University has found that offers based on state test scores, grades and attendance would increase the share of Hispanic and white students in the specialised high schools, and reduce Asians, but would not increase the proportion of blacks. Inequalities in achievement, he writes, are "baked in long before high school". Curtis Chin, who has been filming New York teenagers preparing for the SHSAT, adds that all some black and Hispanic families want "is that their kids don't get locked up in jail. It's hard to measure that against an aspiration of going to Harvard or working for Goldman Sachs." ■

It's what you learn, not where

American universities*, selectivity and returns



Sources: PayScale; National Centre for Education Statistics

*Sample of 240 institutions
†Based on 2012-2013
‡Returns of minus 15% or worse

A new report from PayScale, a research firm, calculates the returns to a college degree. Its authors compare the career earnings of graduates with the present-day cost of a degree at their alma maters, net of financial aid. College is usually worth it, but not always, it transpires. And what you study matters far more than where you study it.

Engineers and computer scientists do best, earning an impressive 20-year annualised return of 12% on their college fees (the S&P 500 yielded just 7.8%). Engineering graduates from run-of-the-mill colleges do only slightly worse than those from highly selective ones. Business and economics degrees also pay well, delivering a solid 8.7% average return. Courses in the arts or the humanities offer vast spiritual rewards, of course, but less impressive material ones. Some yield negative returns. An arts degree from the Maryland Institute College of Art had a hefty 20-year net negative return of \$92,000, for example.

Interactive: Explore US degree returns across more subjects with our expanded version at Economist.com/uspayscale



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Criminal justice

Lessons from Ferguson

WASHINGTON, DC

Step one is to stop using cops as tax collectors

ON THE night of March 11th a nervous, edgy crowd gathered outside the police headquarters in Ferguson, Missouri. Police in riot gear faced them. By the early hours of March 12th, two officers had been shot. Ever since the shooting of an unarmed black man by a white police officer last August, and the riots that followed, the city has seemed unable to settle down. In the interim, however, there have been two investigations by the Department of Justice (DOJ); and these have shown that the real scandal in Ferguson was not the August shootings, but the finances of the city's municipal courthouse.

The DOJ concluded on March 4th that there was no case against Darren Wilson, the cop who fired the fatal bullets. Investigators could not disprove his claim that he acted in self-defence when attacked by Michael Brown, a violent thief. Nor could they find evidence that the officer had deliberately broken the law. The DOJ also concluded, in a separate investigation, that to plug a hole in the city's finances Ferguson's police department had engaged in something very much like extortion. The report was so bad that both the police chief and the city manager have resigned.

In principle, recovering the cost of crime from people who commit it makes sense. Some American prisons have long charged their inmates for their incarceration. But some cities, cramped by shrinking tax bases, have gone further. An article in *Police Chief* magazine in 2010, "Generating new revenue streams", suggested, among other things, introducing fees for sex-offenders to register when they moved to a new area, increasing fines by 50% and allowing department names "to be used for advertisement and branding"—which is probably no longer an option for Ferguson.

One problem with this approach, says Peter Moskowitz of John Jay College in New York, a criminologist and former police officer, is that "very few of the people that cops arrest have money". Many end up imprisoned because they cannot pay fines for offences that would not ordinarily result in their incarceration.

A federal court in Alabama is testing whether this ought to continue in the case of *Varden v City of Clanton*. Christy Varden, a 41-year-old mother of two who was unemployed at the time, was arrested outside a Walmart and charged with four non-violent offences. She was told that she had to post \$500 in bail for each offence. She

could not, and went to prison.

In Ferguson the acquisitive approach to justice was taken even further. The police department was set aggressive targets each year to increase revenues from fines. The DOJ unearthed an e-mail exchange between the police chief and the city manager from March 2011 that gives a flavour of how this worked. The chief boasted that his department "beat our next biggest month in the last four years by over \$17,000", to which the city manager responded: "Wonderful!" The court which processed these fines got through 1,500 offences in a typical two- or three-hour session. A municipal court in St Louis County, which contains Ferguson, brings in an average of \$711,506 in revenue from fines and fees each year and costs \$223,149 to operate, according to Better Together, a Missouri campaign group. "Not surprisingly," it concludes, "many in the community view the courts as revenue centres."

The fragmented nature of America's police forces, many of which have only a handful of officers, makes it impossible to determine how widespread the Ferguson approach to policing is. Examples of other departments where officers have responded to pressure from above to write as many tickets as possible have come to light, but only when something really egregious has happened. In 2013 the *Miami Herald* publi-

cised the case of Earl Sampson, who had been arrested 62 times for trespassing at the convenience store where he worked. It turned out that the police department responsible, Miami Gardens, had made a habit of this sort of thing.

Once identified, turning around a corrupt or failing police department can be done quickly with determined leadership. Where the problem is officers shooting too many people, introducing a proper review process for each shooting seems to work. Las Vegas's police department managed to reduce fatal shootings by officers from a peak of 25 in 2010 to eight last year with improved training, and also by investigating police shootings seriously. Both Georgia and Wisconsin have recently adopted a similar approach in the fatal police shootings of two unarmed black men, handing the investigations over to an agency independent of the police force. Los Angeles reduced both crime and the use of force by the police. The key to success was monitoring individual officers closely, and investigating those who attracted more complaints from civilians or resorted to force more often than their peers.

A watched cop never boils over

Even recalcitrant police forces can usually be made to change if Uncle Sam steps in. The federal government has lately made a habit of securing court orders to force bad ones to accept intrusive monitoring. Yet the problem of identifying failing, corrupt or avaricious police departments remains. Bad policing in big cities is fairly easy to spot, but not in small places like Ferguson. America needs earlier signals to show when something is going wrong, instead of waiting for a fatal shooting followed by a riot to do the job. ■



It doesn't have to come to this

Iran and the bomb

Dear Ayatollah

WASHINGTON, DC

A Republican letter makes diplomacy harder

IT WAS a clarifying moment. Senator Tom Cotton of Arkansas was asked if he had strengthened anti-Western hawks in Iran when he addressed an open letter on March 9th to its government, signed by 46 fellow-Republican senators. The letter warns that any nuclear deal Iran reaches with Barack Obama may be rewritten by Congress or revoked by the next president with a “stroke of a pen”. Specifically, Mr Cotton, an army veteran, was asked to respond to a complaint from Mr Obama that the signatories were making “common cause” with hardliners. Mr Cotton replied: “There are nothing but hardliners in Iran.”

Vice-President Joe Biden accused Mr Cotton and colleagues of seeking to “undercut a sitting president in the midst of sensitive international negotiations”, thereby hurting the ability of all future presidents to negotiate with the world. Republicans blame Mr Obama, saying his refusal to consult Congress about talks between Iran, America and other powers makes it “obvious” that he is poised to accept a bad, which would leave Iran with dangerous nuclear capabilities.

Iran’s foreign minister Javad Zarif called the Republican letter a “propaganda ploy”. He insisted that any agreement would not be an easily-amended bilateral pact with America but an accord concluded by seven countries, including all permanent members of the UN Security Council.

The core of the dispute between Mr Obama and Republicans allied with Mr Cotton is simple enough. The president believes that the only feasible way to stop an Iranian bomb involves a mix of engagement and sanctions co-ordinated with other world powers, so that Iranian leaders conclude that the costs of building a nuclear arsenal are too high. Many Republicans disagree. Like the Israeli prime minister, Binyamin Netanyahu, who recently addressed Congress at their invitation, they say Iran cannot be trusted to stick to any deal. Instead, they argue that the world should impose terms on Tehran.

Only “complete nuclear disarmament” can win congressional approval, Mr Cotton says. Until then, Iran must understand that Mr Obama is not all-powerful. His letter begins, sniffily: “It has come to our attention while observing your nuclear negotiations...that you may not fully understand our constitutional system.” The letter argues that any deal not approved by Congress will be “nothing more



than an executive agreement”, adding that Mr Obama will retire in 2017, while senators will remain “perhaps [for] decades”.

Seven Republican senators declined to sign the letter, among them Bob Corker of Tennessee, the chairman of the Senate Foreign Relations Committee. He wants a bipartisan push to require Mr Obama to submit any accord with Iran to Congress for review, knowing that many Democrats worry about reaching a weak agreement. The Republican letter will make bilateral co-operation harder than ever. ■

Bankruptcy and the economy

A fresh start

WASHINGTON, DC

New evidence that rules for debtors are too tough

LAST year nearly 1m Americans filed for bankruptcy. That is far fewer than the number who used to seek bankruptcy protection before the law was made tougher a decade ago (see chart). This reform may have done more harm than good.

The aim of bankruptcy law is to give people relief from unpayable debts. Some two-thirds of individual bankruptcies are due to a lost job. Many bankrupts need time to get back on their feet. In the mid-2000s Chapter 7 rules made it easy to wash away debts. That irritated credit-card firms, which claimed that spendthrifts abused the system; so in 2005 the law was toughened. The idea was to shift people to a Chapter 13 bankruptcy, where they would have to repay some of the debt.

The reform had a big impact. At least at first, Chapter 13 filings rose relative to Chapter 7 ones. And a new paper, from Stefania Albanesi, of the New York Federal Re-

serve, and Jaromir Nosal, of Columbia University, finds that the reform led to a permanent drop in the bankruptcy rate.

However, other recent research suggests that this is not necessarily a good thing. Will Dobbie, of Princeton University, and Jae Song, of the Social Security Administration, look at Chapter 13 bankruptcies before the reforms of 2005. They link half a million bankruptcy filings to tax records and use a novel technique to analyse them. Because some bankruptcy judges are more lenient than others, people in similar straits may end up with different bankruptcy decisions. This quirk allows some useful comparisons.

Messrs Dobbie and Song argue that easier bankruptcy laws have good micro-economic effects. If a creditor may no longer claim large chunks of a bankrupt’s salary, that may increase his incentive to work—and decrease his need to slip out of town, change his job and close down his bank account. On average, those granted bankruptcy earned over \$6,000 more in the subsequent year than similarly-placed plaintiffs who were rejected. The unlucky ones found it trickier to service their mortgages. Michelle White of the University of California, San Diego and colleagues found that bankruptcy reform caused the default rate on prime mortgages to rise 23%.

Making consumer-bankruptcy law more debtor-friendly could hit Americans in other ways. If lenders are exposed to bigger losses, some argue, interest rates for such things as credit cards are bound to rise. But that danger can be overstated. Credit-card companies may be reluctant to charge rates higher than their competitors’ lest they attract the dodgiest customers—those not put off by high rates because they know that, with luck, they won’t have to pay their debts back.

Figures released on March 6th by the Federal Reserve show that consumer debt rose for the 41st straight month (see chart). With inflation low and wages weak, that is worrying. Ms White wants to roll back some of the reform of 2005, making bankruptcy cheaper. Whether that just increases profligacy remains to be seen. ■



Houston's economy

Life in the sprawl

HOUSTON

America's fastest-growing metropolis faces up to cheaper oil

FOR a view of Houston's economy, get in a car. At the intersection of the Loop and Freeway 225, two motorways in the southeast of the city, you drive over a high, tangled overpass. To the east, where the port of Houston sits on Buffalo Bayou, the skyline is an endless mass of refineries, warehouses and factories: Houston is an oil town. To the west, glistening skyscrapers and cranes puncture greenery. In between, the landscape is a sprawl of signs advertising motels and car dealerships.

Houston is not pretty, but it thrives. In the decade to 2010, the population of its metro area grew more than that of any other American city. Between 2009 and 2013 its real GDP increased by 22%, more than twice as fast as the American economy as a whole. Its growth infuriates new urbanists who insist that dense, walkable places such as Manhattan or San Francisco are the future. The question is, can Houston continue to thrive in an oil bust?

Over two-thirds of the growth in crude oil production in the United States between 2009 and 2014 took place in Texas. As well as refineries and drillers, oil brings office jobs: ConocoPhillips and Halliburton both have their headquarters in Houston, as does BP's America division. Exxon Mobil is building a huge new campus near The Woodlands, a wealthy suburb north of the city. In the past, oil-price gains and job gains have kept in close step (see chart).

The slump is hitting some businesses already. In Houston, when prices fell, "it was almost like the lights just went out," says Peter Wyatt, the boss of Micron Eagle, which makes hydraulics for drillers. Last year the drillers' main concern was simply to get their rigs running as quickly as possible, for which they paid hefty prices. Now, instead of demanding speed, they want discounts. Across America the number of drilling rigs pumping oil has fallen by 38% since December, according to Baker Hughes, an oil-services firm.

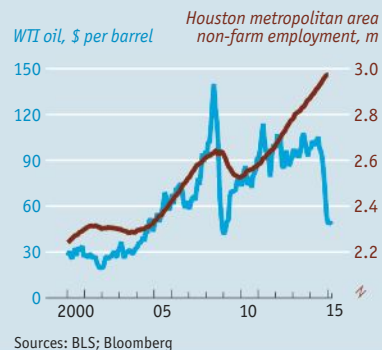
With reduced demand, many small manufacturers and suppliers are sure to go bust, says Patrick Jankowski, an economist with the Greater Houston Partnership, a local business lobby. But the real question is whether a more general slump follows. Multinational oil-related firms based in Houston—including Halliburton and ConocoPhillips—have announced job losses in the past few months. If high-paying corporate posts go, the effect on the rest of the Houston economy could be dramatic.

Yet there are signs that, this time, Houston's spectacular growth will be slowed rather than stopped by the oil slump. Much investment, such as in Mobil Exxon's new campus, is committed, and will not stop now. Mr Jankowski estimates that Houston could still add as many as 50,000 new jobs this year. That is far less than the annual average of 100,000 or so in recent years, but still enough to hold down unemployment.

The city's economy has diversified since the 1980s. At the Texas Medical Centre, a collection of hospitals, medical colleges and research institutions about a 15-minute drive from downtown Houston, new office blocks glisten in the spring sun. Over 100,000 people work there. Day trippers flock to the museums and students to the universities nearby. More foreign goods now flow through Houston's port than any other in America; some 51m people a year now fly through its two airports, one of which, Hobby, is being expanded by Southwest Airlines. And some people and industries will benefit from falling oil prices: commuters, as well as plastics and chemicals firms.

Paradoxically, perhaps the city's biggest strength is its sprawl. Unlike most other big cities in America, Houston has no zoning code, so it is quick to respond to demand for housing and office space. Last year authorities in the Houston metropolitan area, with a population of 6.2m, issued permits to build 64,000 homes. The entire state of

Surviving the bust



California, with a population of 39m, issued just 83,000. Houston's reliance on the car and air-conditioning is environmentally destructive and unattractive to well-off singletons. But for families on moderate incomes, it is a place to live well cheaply.

Some wonder if a bubble is inflating. "We have overbuilt the apartment market already and we are well on the way to overbuilding the office market," says Jim Noteware, a property developer. In recent years the ratio of house prices to incomes in the city, long lower than in the rest of America, has crept close to it. A property slump could hit Houston's core city—which relies heavily on property taxes—hard. It is already running a hefty deficit and carrying a heavy pension burden.

If disaster is avoided, it will be because Houston has reached a critical mass where employers keep moving in because others are already there. Joel Kotkin of Chapman University in California argues that thanks to cars, even over its vast size, Houston creates the same possibilities for people to meet and share ideas that generate wealth in denser cities such as New York. Sprawl may not be pretty—but it seems to work. ■



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When Ted Cruz is the only person talking sense, something is wrong



A FEW years ago, while reporting on the madness that is European farm subsidies, this columnist came up with a “Richard Scarry” rule of politics. Most politicians hate to confront any profession or industry that routinely appears in children’s books (such as those penned by the late Mr Scarry). This gives outsize power to such folk as farmers, fishermen, doctors, firemen or—to cite a fine work in the Scarry canon—to firms that build Cars and Trucks and Things That Go. The rule is seldom good news for taxpayers, and there is a logic to that too: picture books rarely show people handing over fistfuls of money to the government.

The Scarry rule was tested afresh on March 7th at the inaugural “Iowa Ag Summit”, a campaign-style forum for politicians pondering White House runs in 2016. Reflecting Iowa’s clout as host of the first caucuses of the presidential election cycle, the summit lured nine putative candidates, all of them Republicans. Democrats were also invited, but declined. Such grandees as Jeb Bush, a former governor of Florida, Governor Scott Walker of Wisconsin and Governor Chris Christie of New Jersey took turns to sit on a dais beside a shiny green tractor, to tell an audience of corn (maize) growers, pork-producers and hundreds of reporters how much they love farmers.

The gathering was an unprecedented show of strength by the farm lobby. Rather than wait for journalists to tease out candidates’ positions over months on the campaign trail, the nine Republicans were each quizzed on stage for 20 minutes by the summit’s organiser, Bruce Rastetter, an Iowa ethanol and pork magnate. His most pointed questions concerned the Renewable Fuel Standard (RFS), a federal mandate which obliges oil firms to blend billions of gallons of ethanol into vehicle fuel each year. Most of that ethanol is made from corn, in a process of questionable value to the environment, though a newer type made from stuff like corn stalks is better for the planet and for people in poor countries who eat corn or feed it to animals.

Taking a stance on the RFS is a nightmare for ambitious Republicans. Boosters insist that ethanol has created 73,000 jobs in Iowa, and many more across the electorally important Midwest. They declare that every barrel distilled means less oil bought from foreign regimes that hate America. The corn lobby adds that recent doubts over the future of ethanol quotas have hit farm in-

comes and cost jobs, including at Iowa tractor factories. Governor Terry Branstad of Iowa, who calls the Ag Summit a “bold and brilliant” way to educate presidential candidates about farming, notes that agriculture was booming during the 2008 and 2012 elections, and so was not much discussed. Now, amid falling prices, he calls farmers “genuinely fearful”.

However, the RFS is a glaring example of Big Government meddling. It is awkward, to put it mildly, for a small-government conservative to favour rules that force Americans to buy more of something than they want. For, adding to Republicans’ pain, the RFS is resented by the oil industry, which makes good money by blending a bit of ethanol into petrol but loathes plans to make it add a lot more.

Most Republicans at the Ag Summit tried to have it both ways. They poured noisy scorn on federal regulation and loudly declared their faith in free markets. They expressed confidence that farmers, not bureaucrats, know best how to manage the land. This was the cue for some corny reminiscence. “I’ve sat on the end of a turnrow and watched a wheat crop be lost to a hailstorm,” sighed Rick Perry, a former governor of Texas and farmer’s son. Mr Bush noted that Florida had lots of citrus farms. Asked whether he backs rules that would label all produce by country of origin, he managed to woo Christians, Iowans and Hispanics in a single answer, and all while presenting himself as a family-loving Everyman. The day after the Ag Summit would find him at a Publix supermarket after church, shopping for “Sunday Fun Day” at his Florida home, explained Mr Bush, whose wife is Mexican. Iowa beef would be on the menu and his own special guacamole, and “I want to know where that avocado is from.”

Then seven of the nine murmured that the RFS was the law and so should be enforced, or should be preserved for a while to give farmers certainty as they plant crops. Market forces would ultimately prevail, said Mr Bush delicately, so that farmers might not need the RFS after 2022 “or somewhere in the future”. This pandering marked a timely shift for some. Mr Walker used to denounce ethanol mandates with a passion, calling them “central planning” and “fundamentally wrong”. But the Wisconsin governor, whose fortunes have been surging of late, can ill-afford to alienate a next-door state like Iowa, full of pious, thrifty midwestern conservatives in his image. So Mr Walker told the Ag Summit that he is willing to see the RFS continue, at least for now.

Patrick Pig at the trough

The pandering is bipartisan: ethanol backers cheered reports that Hillary Clinton has recruited an aide to Tom Vilsack, the agriculture secretary and a former Iowa governor, to run her campaign in the state. Yet the pandering is not universal. Mr Perry did not explicitly endorse the RFS. His fellow-Texan, Senator Ted Cruz, told Iowans that he opposes it, explaining his conviction that “Washington should not be picking winners and losers.”

Mr Cruz is betting that political dynamics are changing. The Ag Summit showed the farm lobby’s strength but also its vulnerability: a truly confident industry would not even ask candidates to declare their fealty, almost a year ahead of the first presidential caucus. In 2000 Senator John McCain simply skipped Iowa, because he opposed ethanol subsidies. Today, the shrink-the-government right is more confrontational. Mr Cruz sensed a political advantage in flying to Iowa to sit beside a tractor telling farmers that they are wrong to want federal help. The coming months will reveal if he is right, or if the Scarry rule remains in force. ■



Also in this section

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Corruption in Latin America

Democracy to the rescue?

BUENOS AIRES, LIMA, MEXICO CITY AND SÃO PAULO

Despite an epidemic of scandal, the region is making progress against a plague

WHEN Dilma Rousseff, Brazil's president, delivered a televised speech to mark International Women's Day on March 8th, it was almost impossible to hear her in some districts. Thousands of middle-class Brazilians drowned her out by banging pots and pans, a traditional way to show dissent in neighbouring countries. Brazil's *panelaço* is new.

Brazilians have plenty to grumble about, from a stagnant economy to fiscal austerity, but the pot-bangers' main grievance is the scandal at Petrobras, a state-controlled oil giant. On March 6th a Supreme Court judge agreed to open investigations into 34 sitting politicians, including the speakers of both houses of Congress, whom a prosecutor suspects of participating in a multi-billion-dollar bribery scandal. All but two are allied with Ms Rousseff's ruling coalition. She was not on the list, but she was Petrobras's chairman in the mid-2000s, when much of the alleged corruption took place. On March 15th Brazilians plan rallies across the country to demand her impeachment.

Brazil's disquiet is not unique in Latin America. In Mexico the disappearance of 43 students in the southern state of Guerrero, and their apparent murder by drug-traffickers in league with police, have sparked protests since September. Revelations of a housing deal between the wife of the president, Enrique Peña Nieto, and a company linked to a businessman who won government contracts added to the fury about cor-

ruption; the finance minister has been similarly embarrassed.

Allegations that Argentina's president, Cristina Fernández de Kirchner, and her late husband, Néstor Kirchner, who preceded her as president, enriched themselves during a dozen years in power, have brought out the pot-bangers, too. She denies wrongdoing. The son of Chile's president, Michelle Bachelet, recently quit as head of a state charity over accusations of influence peddling. Her popularity has dropped to its lowest level since she returned to power a year ago.

Resistance to corruption in Latin America has a long and largely futile history. Antonio de Ulloa, a naval captain, tried and failed in the 1750s to eradicate fraud at a mercury mine in the Andean town of Huancavelica. Corrupt leaders have been ousted in the democratic era without much effect on corruption itself. Hugo Chávez's fulminations against it in Venezuela helped his rise to power; under his "Bolivarian" regime it worsened. The jailing of Alberto Fujimori, under whom the Peruvian state became a criminal enterprise, did not purge the country. His system has been dismantled, but "scale models" of it persist at regional level, says José Ugaz, a Peruvian lawyer who is chairman of Transparency International, a Berlin-based NGO.

Yet in today's scandals, and the indignation they have aroused, lie hopeful signs. The unrelenting pursuit of executives and politicians responsible for the Petrobras

scandal (the *petrolão*) shows that Brazil's judicial institutions are functioning as they should. In Mexico Congress is pushing through anti-corruption reforms. There are promising experiments in Central America. Latin America's young democracies may be starting to get to grips with one of their worst and most enduring problems.

The viceroys of the colonial era set the pattern. They centralised power and bought the loyalty of local interest groups. "In Peru abuse starts with those who ought to correct it," wrote Ulloa and a collaborator in 1749. *Caudillos*, dictators and elected presidents continued the tradition of personalising power. Venezuela's *chavismo* and the *kirchnerismo* of Ms Fernández are among today's manifestations.

This is a damaging pedigree. Though Latin America is a middle-income region, two-thirds of its countries come in the bottom half of Transparency International's "corruption perceptions index". In South America only Chile and Uruguay stand out from the dismal regional norm (see map on next page), perhaps partly because in colonial times they were backwaters; Costa Rica is the Central American exception. Even more corrupt countries have islands of integrity: Mr Ugaz points to Peru's central bank and tax-collection authority.

Anatomy of vice

Graft is hydra-headed and has multiple causes. Presidents who plunder make the biggest headlines. But presidential misbehaviour can take the milder forms of conflict of interest (as, apparently, in the case of those Mexican houses) or nepotism. Such temptations extend to anyone in authority, especially if, as is often the case, he or she is ill trained and badly paid. A fifth of Latin Americans report having paid a bribe over the course of a year, most often to the police. Colombia's anti-corruption tsar, Camilo Enciso, says that no sector of the ►►

▶ country is untouched by corruption.

The costs are hard to quantify, but surely immense. In 2010 FIESP, the industry federation of São Paulo state, estimated that corruption cost 1.4-2.3% of GDP every year. In Peru stolen public money adds up to 2% of GDP, says Ana Jara, the prime minister. Almost a fifth of businessmen think corruption is the main obstacle to doing business in Mexico, says the World Economic Forum. Paying bribes for basic services such as water supply makes the poor even poorer. In Mexico it eats up a quarter of their income, according to one estimate. Richer folk pay fixers, such as Brazil's *despachantes* and Argentina's *gestores*, to get things done. Popular anger at corrupt officialdom can become hostility toward democracy itself.

Many Latin America watchers assumed that democratisation and the market reforms that began in the 1980s would curb corruption. Instead, they provided new opportunities for it. Democracy gave rise to parties hungry for donations and politicians eager to reap the rewards of elected office. In Mexico, it brought an "out of control [corruption] booze-up", wrote Luis Carlos Ugalde, a consultant, in *Nexos*, a magazine. In Brazil, where entire states count as single constituencies, campaigns are ruinously expensive. Candidates spent 4.1 billion reais (\$1.3 billion) in last year's state and national elections, not counting the race for the presidency. Campaign-finance laws are riddled with loopholes. In Chile donors are meant to give money through an agency that hides their identities from the candidate. But within the country's small elite, such secrets leak out. Surveys find that political parties are Latin America's least trusted institutions.

Economic reform also incited graft. Proceeds from the privatisation of state companies enriched ruling cliques in Argentina and paid for social spending aimed at supporters of ruling parties in Peru and Mexico. The commodities boom of the early 2000s brought more money and more ways of pilfering it. The *petrolão* would not have been so huge without the rise in oil prices of the past 15 years. Even more destructive was an upsurge in drug-trafficking from the 1980s, which implanted the idea that everyone, from policemen and judges to ministers and presidents, "has a price", says Mr Enciso. Torrents of new money, from both legitimate and illicit sources, greatly increased what Mr Ugaz calls "grand corruption".

Many Latin Americans have long shrugged their shoulders, which has made corruption harder to stamp out. *Rouba, mas faz* (he steals but he acts), say Brazilians indulgently of politicians who leave their greed with efficiency. Campaigning to be mayor of San Blas, a town on Mexico's Pacific coast, Hilario Ramírez Villanueva admitted at a rally last year that in

an earlier term in office "I did steal, but only a little." Besides, he added, "I gave back with the other hand to the poor." He was elected, and celebrated by throwing banknotes to supporters.

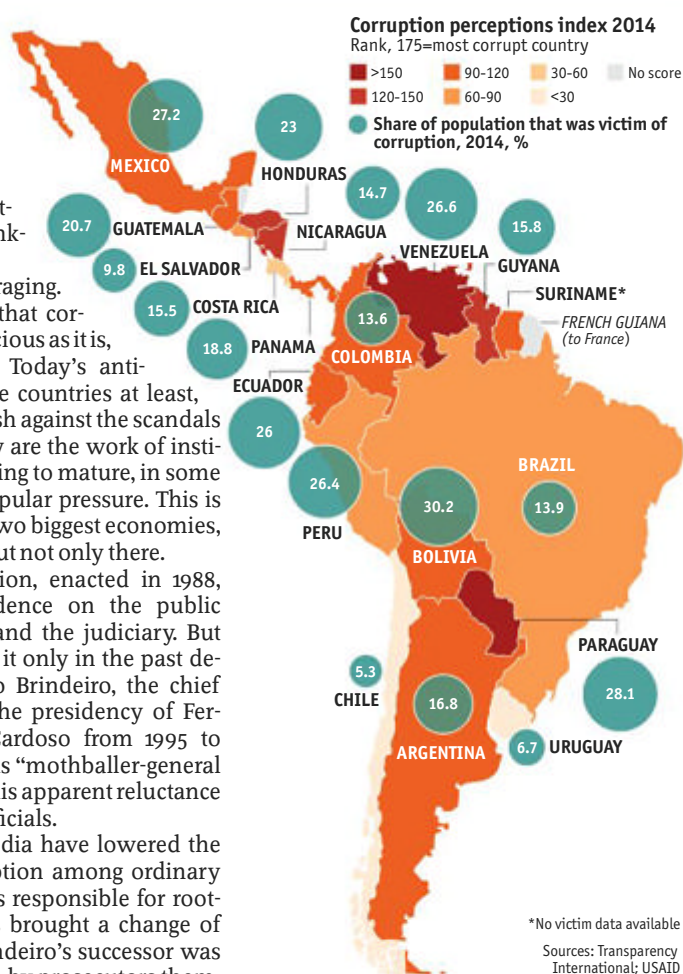
This is discouraging. But there are signs that corruption's hold, tenacious as it is, may be loosening. Today's anti-graft efforts, in some countries at least, are not just a backlash against the scandals of the moment; they are the work of institutions that are starting to mature, in some cases because of popular pressure. This is true in the region's two biggest economies, Brazil and Mexico, but not only there.

Brazil's constitution, enacted in 1988, conferred independence on the public prosecutor's office and the judiciary. But they have exercised it only in the past decade or so. Geraldo Brindeiro, the chief prosecutor during the presidency of Fernando Henrique Cardoso from 1995 to 2003, was mocked as "mothballed-general of the republic" for his apparent reluctance to pursue corrupt officials.

Brazil's feisty media have lowered the tolerance for corruption among ordinary folk and the officials responsible for rooting it out. Time has brought a change of generations. Mr Brindeiro's successor was the first to be chosen by prosecutors themselves. The next went on to denounce the Workers' Party, to which Ms Rousseff belongs, in Brazil's previous epic scandal, the *mensalão*, which uncovered payments to congressmen in exchange for pro-government votes. Rodrigo Janot, the prosecutor in charge of the *petrolão*, and Sérgio Moro, the judge who presides over the case at the federal court in Curitiba, belong to a cohort that sees corruption as not just a moral failing but a cause of tangible damage, says Luiz Felipe d'Avila of the Centre for Public Leadership, a think-tank. "Corruption kills," says Mr Janot.

Waking up the watchdogs

Better Brazilian judges and prosecutors are part of an institutional upgrade—disconnected improvements brought about by legislation and new technology. It is still partial at best, but should make a difference. The "clean companies act", which entered into force in January 2014, extends sanctions from bribe takers to bribe givers. Lawyers say it has prompted companies to take compliance seriously. Cash payments to the poor through the *Bolsa Família* programme—which are made electronically—cannot easily be stolen or directed to supporters of a local potentate. São Paulo state's transport department has made it possible to renew a driver's licence online,



cutting out bribe-taking bureaucrats. It plans to install cameras in examiners' cars.

The monopoly of power held by Mexico's Institutional Revolutionary Party (PRI), to which Mr Peña belongs, was broken only in 2000. Mexico's press, with some exceptions, is less obstreperous than Brazil's, in part because much of it relies on government advertising. But pressure for reform has increased. The Guerrero murders and revelations about house purchases triggered an outpouring of anger against the president and the political elite. Mr Peña's ambitious programme of reforms to energy and other sectors will fail if their integrity is not protected.

The elite has begun to respond. In late February Mexico's lower house approved a constitutional change to create a "national anti-corruption system". Rather than entrust responsibility to a single commission, as some Latin American countries have done, Mexico aims to share it out among different organs of government as well as the judiciary. "We favour checks and balances, institutions rather than heroes," says Mauricio Merino, lead co-ordinator of the Accountability Network, a grouping of NGOs that pushed for the legislation.

Until secondary legislation is passed to regulate conflicts of interest and specify ▶

▶ the powers of the new bodies, it is impossible to say how well the new system will work, says Mr Merino. Already, there is opposition from state governors, especially those within the PRI. The reforms could be as important as those that ushered in democracy, but it “will take at least a generation to change habits,” he says.

Other countries are taking encouraging steps. Honduras's president, Juan Orlando Hernández, has signed an agreement with NGOs to act as “parallel auditors” in education, health, and other government services. They persuaded him to appoint an education minister, who has slashed the

payment of salaries to “phantom teachers”. Chile will soon close loopholes in its campaign-finance legislation. In Peru Mr Ugaz sees hope in activism among students, who protested successfully against the appointment of unqualified candidates to the constitutional court and the ombudsman's office. This was “a reaction of youth against a corrupt class,” he says.

Such gains are fragile, and in some countries absent. October's presidential election in Argentina is unlikely to bring improvement. Where governments crimp press freedom, for example in Ecuador and Venezuela, corruption is likely to flourish.

Brazil needs electoral reform to upgrade the quality of its politicians. Even the progress in the judiciary is not secure. The prosecution in the *petrolão* is impressive, says Mr Moro, the judge, “but institutional reaction must be the rule. And it isn't yet.”

However, as Latin America grows richer, more educated and more equal, citizens will press harder for honest politicians and officials. At long last democracy is working for them. It is “thanks to political plurality that, despite everything, we are taking steps in the right direction,” says Mr Merino. That bodes well for Mexico, and its neighbours. ■

Bello | How deep is their love?

The Pacific Alliance is a great brand in search of a shared product

IN THE verbose annals of Latin American integration, the declaration of Lima of April 2011 stands out for its rare combination of brevity and impact. In less than three pages, the presidents of Chile, Colombia, Mexico and Peru agreed to launch the Pacific Alliance. Its aims were to promote “deep integration” of economies through the free movement of goods, services, capital and labour, and to strengthen ties with the world, and the Asia-Pacific region in particular.

The four members have moved swiftly. They signed an agreement in 2013 to abolish tariffs on 92% of merchandise trade, with the remainder to be freed by 2020. They have scrapped tourist visa requirements for each others' citizens, and have opened some shared embassies abroad. The stockmarkets of Chile, Colombia and Peru agreed to join up in a regional bourse called MILA, which Mexico's exchange joined in January.

In its short life, the Pacific Alliance has made quite a splash, attracting as observers 34 countries spanning six continents. This month at the Cartagena Dialogue, a conference in that city organised by Colombia's government and the International Institute of Strategic Studies, a London-based think-tank, several Asian officials urged the Alliance to admit their countries as full members.

Two things have piqued the interest of outsiders. The first is that member governments share a commitment to free markets, free trade and democracy. That distinguishes them from more state-led, protectionist and in some cases authoritarian governments of the Mercosur trade group, which includes Argentina, Brazil and Venezuela. And while these three are all in recession or close to it, the alliance's economies are still growing, albeit more slowly than in the past.

The alliance's second attraction is its scale. It comprises 200m people, 35% of Latin America's GDP and half its exports. It is a second Brazil, its boosters have often pointed out. Except that it isn't.

The reality of the Pacific Alliance is that its members, separated by vast distances and poor communications, have few economic links. Intra-group trade is a tiny—and slightly falling—percentage of its members' total commerce (see chart). If there is a Latin American equivalent of the East Asian manufacturing supply chain, it lies not within the alliance but in Mexico's integration with the United States. Even Mercosur's intra-block trade is more important as a share of the group's total than that of the alliance (though it too is falling). And to the chagrin of investors in the four countries, MILA has been hobbled by a lack of progress in harmonising rules.

Optimists say that the alliance is only now coming into its own. “We are discovering each other,” says José Antonio Meade, Mexico's foreign minister, pointing to a rise in business deals and in tourism among the four countries. Mauricio Cárde-

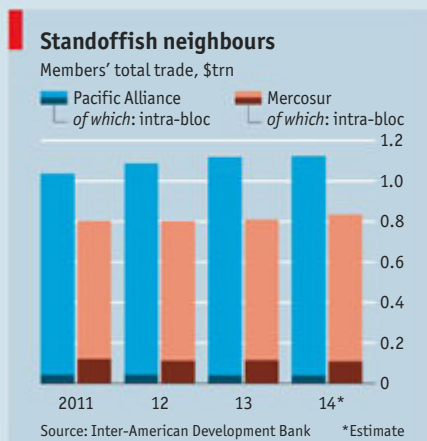
nas, Colombia's finance minister, sees opportunities for his farmers and manufacturers now that the commodity boom is over and the currency is weaker.

The four members could still gain from joint work on market intelligence and on trade facilitation (cutting red tape, for example). But the alliance's greatest potential may lie in attracting foreign investment, particularly from Asia, where all four have trade agreements. In Cartagena, officials from Japan, South Korea, the ASEAN countries and Australia were especially enthusiastic about closer links—in some cases seeing in the alliance a way to compete with China's growing influence in Latin America.

The Pacific Alliance seems almost taken aback by its own diplomatic success. Its leaders say that they need to work out what they want from, and can offer to, observer countries. An assertion of its shared political values would sharpen the group's brand identity, helping to attract investment. Of this, the only sign so far is a joint policy on climate change.

The alliance is a retort to Mercosur, but a tacit one. On this subject, the four don't think alike. Chile's centre-left government feels affinity with Brazil, to which the country exports more than to its fellow alliance members combined. It inspired recent meetings between the two blocks to explore “convergence in diversity”, in the awkward Chilean formulation.

Brazilian officials point out that their country's trade with Chile, Colombia and Peru will be almost fully free by 2019. “The visions are not totally contradictory, they can be complementary,” argues Celso Amorim, who has been Brazil's foreign minister and defence minister. Indeed so. But that may cease to be the case if the Pacific Alliance backs its promising brand by strengthening its political identity.





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Myanmar

The periphery cannot hold

LASHIO, SHAN STATE

Things fall apart along a violent stretch of the Myanmar-China border. Two reports look at the conflict from each side

MOST people think of Myanmar as one of the world's few encouraging stories. Aung San Suu Kyi, the country's long-time democracy activist and Nobel prize-winner, sits in parliament rather than under house arrest. America has begun lifting sanctions. The government has signed bilateral ceasefires with most of the myriad ethnic armies which have been fighting against it, bringing communal violence to its lowest level in decades.

But strife in Kokang, a little-noticed region of Myanmar bordering China, is testing how much of that progress is real. Fighting broke out on February 9th, when Phone Kyar Shin (also known as Peng Jiasheng), an octogenarian warlord, launched a series of attacks on the Burmese army around Laukkai, Kokang's capital. More than 130 people have died, and as many as 100,000 have been displaced. Ethnic Kokang are fleeing across the border into China; ethnic Burmans are heading south, deeper into Myanmar.

According to the government, the fighting is all but finished. Mr Phone's plan was "foiled", says Min Zaw Oo, director of ceasefire negotiations for the Myanmar Peace Centre, which oversees the reconciliation process between Myanmar's government and its ethnic armies. "[The] government side is now conducting mopping up operations in and round Laukkai."

Things look less rosy on the ground.

Thein Sein, Myanmar's president, has put the area under martial law until the middle of May. Many roads into the region are closed, and villages lie deserted. During the first week of March—long after the government crowed that stability had been restored—Burman refugees from Kokang were still streaming into the Mansu monastery in central Lashio.

Daeng Tun, a 41-year-old from Laukkai, says the army told him it was not safe to return. U Kyaw Min Lwin, a retired officer who spent 20 years with the Burmese army in Kokang, thinks the fighting is getting worse, and could last months. His pessimism appears more credible than the central government's sunny reassurances—and that has troubling implications for Myanmar's future.

The conflict in Kokang has sucked in other armed groups. Myanmar's government has said China is arming and training Mr Phone's Myanmar National Democratic Alliance Army (MNDAA), though both deny the accusation (see next story). Even without Chinese involvement, the Kokang region seems to be crawling with fighters. The MNDAA claims its ranks have grown since the fighting started. Some ethnic armies that have either not signed ceasefires with Myanmar's government or seen them break down have taken up arms alongside the Kokang.

In a squat cinder-block hut on a narrow

street on the outskirts of Lashio, a solidly built Palaung soldier with the Ta'ang National Liberation Army (TNLA) says he has just returned from Kokang. The Palaung live in northern Shan and Kachin states (see map on next page); the soldier says the TNLA were drawn in because "the Burmese army was robbing [Palaung] villages and cutting down their sugar cane." Members of the Arakan Army—based in the south-west—are reportedly fighting alongside the MNDAA. A Kokang commander adds that they have been getting help from Kachin rebels, who live in Myanmar's northernmost state and have been fighting the government for decades (the Kachin deny involvement). Myanmar's ethnic groups are often fractious, but those in Kokang have shown unusual unity—perhaps banding together in a last-ditch effort for survival against an increasingly impatient government.

A great deal about the conflict remains unclear. It is possible that the outbreak was a response to the shelling, last November, by government forces of a Kachin training ground which killed 23 people, many of them from the same armies now fighting in Kokang. Mr Phone may have wanted to muscle in on the lucrative gambling trade in the area. Whatever the reasons, though, they matter less than the centrifugal consequences of the conflict and what they imply for Myanmar's peace process.

Myanmar-watchers have grown used to a familiar refrain from the government: the peace process is working; a national ceasefire deal is just around the corner; except for a few holdouts, all sides are not only talking, but have agreed on almost everything, with just a few details remaining to be worked out. The Kokang fighting shows that those "details"—which include military and police reform, control over ►►

▶ natural resources and regional autonomy for ethnic minorities—are proving intractable. Moreover, it is happening at a time when problems for the government seem to be spreading: this week saw a brutal confrontation between students and police at Letpadan, 140km north of Yangon.

The long-term risk from the fighting is not that it destabilises the country—Myanmar's government has proved adroit at containing small insurgencies—but rather that it could affect this autumn's election, which was already under a cloud thanks to constitutional provisions barring Aung San Suu Kyi from becoming president and reserving 25% of parliamentary seats for the army. In the 2010 election, the government banned voting in some ethnic-minority areas, ostensibly because of security concerns. A similar ban this autumn would deepen grievances, raise further doubts about the legitimacy of the election and complicate relations between Myanmar and donor governments, on which much of the troubled domestic-reform process depends. ■



the state-run *Global Times* newspaper warned people to “avoid any premature stance or interference” in Myanmar's affairs; Chinese news reports refer to “border people” rather than “refugees”. The government has yet to allow the United Nations refugee agency access to the camps. A facility for refugees at the international convention centre in Nansan, a town just across the border from the main crossing-point in the Kokang capital, Laukkai, was shut within three weeks of the conflict starting. It is unclear what happened to the inhabitants. Some richer Kokang booked into hotels or rented places in Nansan, but the city is not overrun with Burmese—and few have returned to their homes.

For the government in Beijing the local conflict is bothersome: China's leaders care more about domestic stability and regional economic ties than border tribes. Official policy towards Myanmar, as elsewhere, is not to intervene. Myanmar's military junta relied on China when the West imposed sanctions in the 1990s, which led to a backlash against the country in 2011 after Thein Sein came to power. Some contracts have since been renegotiated and Chinese investment has recovered. China now sees Myanmar mainly as a trading partner and energy supplier.

But the influx of Kokang has forced China to become more involved. Resources have been mobilised quickly to deal with the incomers and several temporary facilities opened—though at least one has been closed, and there have been unconfirmed reports of refugees being forced back to Myanmar. Still, the situation is a lot better than in the recent past. In 2009 30,000 people fled another flare-up in Kokang, the largest refugee crisis on China's border since the war with Vietnam in 1979. In 2011-12 hostilities in Kachin again forced thousands into Yunnan. On both occasions, China's humanitarian response was weak and late, says Yun Sun of the Stimson Centre, a think-tank in Washington. Since then a succession of natural disasters has given China more experience in dealing with internally displaced people.

The conflict also sheds light on the different priorities of Beijing and Yunnan. Although trade with Myanmar accounts for less than 1% of China's total, it makes up 24% of Yunnan's. Residents on both sides benefit from being allowed to move freely, but fighting jeopardises that. So local Yunnanese ought to have a strong incentive to end the fighting.

At the same time illegitimate commercial activities conducted by Chinese companies in northern Myanmar—including illegal mining, logging and smuggling conducted under the noses of local officials—help to finance local militias. These illicit ventures are sources of conflict with locals. And they are at the root of Burmese accusations that China is supporting and ▶

Myanmar and China

The Han that rock the cradle

NANSAN, YUNNAN PROVINCE

The Kokang conflict causes problems for China, too

FOR most of the past three weeks 19 members of the Yang family have lived in “125”, a refugee camp that straddles the Myanmar-China border. They left their homes in February when fighting flared up between Burmese government troops and local rebels, says one of the Yang sisters, carrying the youngest of her six children on her back in a red velvet sling. But after shelling came perilously close to the camp one night, they fled again, this time crossing into China, laden down with bedding, clothes and “water-smoking pipe”, or giant bamboo hookah. They joined the 60,000 or so Burmese who, the Chinese state media say, have entered Yunnan province since early February.

The fighting in Kokang, a small region in Myanmar's northern Shan state, is the bloodiest the country has seen for years. It risks undermining Myanmar's ceasefire talks. It also worsens an already turbulent relationship between Myanmar and China and highlights differences between the central government in Beijing and far-flung Yunnan, one of China's poorest provinces, which shares a 2,000km border with Myanmar.

The conflict involves China partly because the fighting is on its doorstep: on March 8th stray bombs damaged a house

on the Chinese side. Kokang also retains a special place in China's psyche. It was part of the country until the Qing dynasty ceded it to Britain in 1897. Around 90% of the Kokang are ethnic Han-Chinese (a similar proportion make up China's own population); they speak Mandarin, use Weibo, a Chinese microblogging site, and many have friends and relatives in Yunnan. Some have Chinese identity cards.

The government of Myanmar claims the Chinese are training Kokang fighters. Some accuse them of arming or financing the Kokang militia, too, and of allowing them to use Chinese territory to outflank government troops. The militia's octogenarian leader, Peng Jiasheng (known as Phone Kyar Shin in Burmese), denies these allegations but has tried to whip up Chinese support online, reminding the Chinese of their “common race and roots”. Though they are not Chinese citizens, the Kokang's ethnicity increases domestic pressure on China's government to respond in some way, reckons Enze Han of the School of Oriental and African Studies in London. Some Chinese people criticised the government when it failed to react to anti-Chinese riots in Indonesia in 1998.

China's government has tried to disassociate itself from the conflict. An editorial in

arming the separatists. The government in Beijing could do more to clamp down on such trade.

It has already moved to increase its oversight of Yunnan and the border with Myanmar. In 2009 provincial officials either did not know or did not tell the authorities in Beijing that a conflict was brewing. Now the Chinese army, rather than the local border police, controls the boundary. And officials in Beijing have established direct links with ethnic groups inside Myanmar, rather than going through their Yunnanese counterparts, as before. But the Chinese authorities do not have an appetite for being sucked in. Unless the violence gets much worse, the government in Beijing is unlikely to step in to try to make peace between Myanmar's government and the Kokang. ■

Japan's asylum laws

No entry

TOKYO

As the world's refugee problem grows, Japan pulls up the drawbridge

AROUND 9m people have fled their homes in Syria. Over 3m have taken refuge in neighbouring countries. But thousands more have fanned out across the world, some to as far away as Japan. There, they have found the drawbridge up. The world's third-largest economy has yet to grant asylum to a single Syrian.

The treatment meted out to Syrians is consistent with Japan's stingy record on sheltering people fleeing conflicts of all kinds. In the decade to 2013, the country gave asylum to just over 300 refugees. In 2014, the number fell to 11.

These figures are all the more remarkable considering that the number of stateless people is growing, and that many are knocking on Japan's door. Last year, the number of refugees, asylum-seekers and internally displaced people topped 50m worldwide for the first time. In Japan there were more asylum applications than at any time since the country signed the UN refugee convention in 1981.

Once they arrive, asylum seekers can face a grim experience. Some are locked up for years while their claims are processed. Immigration officials give the impression that they just want refugees to leave, says Gloria Okafor Ifeoma, a Nigerian asylum-seeker who arrived in Tokyo in 2007 and has spent about 30 months under lock and key. Japan's media revealed last month that there are no full-time doctors in the country's three immigration centres. (Part-time doctors visit a few hours a day.) Last March two foreigners died in detention.

Tajikistan

Central Asia's Putin

A leading critic is murdered and the opposition booted out of parliament

RUSSIA is not the only former Soviet republic where opposition leaders are being gunned down in the street. Last week, Umarali Kuvatov, leader of a Tajik movement called Group 24, who fled the country in 2012 reportedly after a business deal with the president's son-in-law went wrong, fell ill while having dinner in Istanbul. That (speculate the Turkish media) was a result of poisoning. Whether true or not, when he went outside for medical help, he was shot in the back of the head. His assassin vanished.

The murder came days after a parliamentary election in Tajikistan on March 1st. Monitors from the Organisation for Security and Co-operation in Europe, an inter-governmental body, said half the votes they saw being counted should have been thrown out. They also reported ballot-box stuffing and intimidation.

Tajikistan has never had an election that was judged fair by independent observers. But in the past the opposition has been allowed to take a few seats—not enough to make a legislative difference, but a way of dealing with conflicts which, in the 1990s, erupted into a civil war that pitted a jumble of opposition parties against former Communist bosses led by Emomali Rahmon, now president. A peace agreement in 1997 guaranteed the opposition, led by the



Umarali Kuvatov, absent from the feast

Islamic Renaissance Party (IRPT), 30% of government positions. Over the years Mr Rahmon has steadily reneged on the deal; this month, the IRPT was shut out of the national legislature for the first time.

The president seems to have turned his back on the country's fragile post-civil-war order. The fear is that some opponents—angry at being denied even the vestiges of influence—may now respond violently.

Not surprisingly, criticism is growing. On a visit to Tokyo last year, Antonio Guterres, the UN High Commissioner for Refugees (UNHCR), said Japan's asylum system is rigid and restrictive. Hiroshi Miyachi, a lawyer, calls the rejection of all 61 applications from Syrian refugees since 2011 "appalling". He represents four Syrians who are suing the justice ministry to reverse its decision. Eri Ishikawa, chair of the Japan Association for Refugees, a non-profit organisation, says Japan's system for gathering information about asylum seek-

ers from the refugees' countries of origin is primitive. She claims that many claimants are being needlessly rejected.

The government bristles at such criticisms. Japan, it points out, is the world's fourth-largest financial contributor to UNHCR. Immigration officials merely apply standard criteria when reviewing asylum applications. If the approval rate is low, insists a spokesperson for the justice ministry, that's a problem with the criteria. Anyway, over half the Syrian applicants have been granted special permission to stay on humanitarian grounds.

But pressure for change is building. The justice ministry is reviewing how it processes asylum claims. The UNHCR is helping draw up its final recommendations. Optimists expect the result to be fairer and more transparent. Perhaps. But Mieko Ishikawa, director of Forum for Refugees Japan, a network of refugee associations, fears it might actually make things worse. Immigration officials, she worries, could get more power to weed out "abusers" from the desperate human flotsam that increasingly washes up on Japan's shores. ■



India's social ills

How to damage India's reputation

DELHI

By stifling debate about social problems, politicians make them harder to solve

THIS is an international conspiracy to defame India," raged one minister in parliament last week, upset by a foreign film about a rape in Delhi. Another, Rajnath Singh (the home minister), claimed that he would somehow order Britain's state broadcaster, the BBC, not to show it. Pressed by the opposition, the government prevented the film from being shown on national television—guaranteeing it a large audience online.

Thin-skinned Indian politicians often claim that a "foreign hand" is plotting against the country and besmirching its good name. When outside researchers point to worryingly high levels of air pollution, open defecation or bad public hygiene, for example, nationalists call such observations malign or defamatory.

A fuss in the past few days over the BBC documentary is typical. It retold the terrible story of the gang rape and murder of Jyoti Singh, a medical student, in 2012. Controversially, it aired interviews from jail with one of her unrepentant killers, who blamed his victim for her own murder. "It takes two hands to clap," he said. An attention-seeking defence lawyer described how he would kill his own daughter in public if she "dishonoured" him.

Such comments make Indian men look repressive and thuggish. In fact in the film, and elsewhere, many voices (men included) speak sensibly about the wider causes of women's ill-treatment. "These men are ours," says the author of a judicial commission on rape in India. His point is that Indians are perfectly capable of confronting abusive attitudes: denial helps nobody.

To his credit, the prime minister, Narendra Modi, has done more than most to dis-

cuss social problems. Since becoming prime minister last year he has called rape a national "shame"; he has talked about the "mental illness" of ill-treating girls; he has called for a minimum level of representation of women in parliament (a third); and has said bluntly that sex-selective abortion "needs to stop." Female foeticide remains prevalent, reflecting a cultural preference for boys.

The government might also welcome a wider debate because it has a decent case to make. Maternal mortality has fallen by almost half since 2000. Female literacy rates have risen (see table). Even the increase in the numbers of rape cases reported to the police might indicate greater willingness to report it, as well as (or rather than) rising incidence. Of course, too few women have jobs or bank accounts; murders happen over dowry and "honour"; fathers and husbands wield most control overall. Nonetheless, a national debate should be possible on fixing social ills.

Instead, most politicians have plumped for denial, "the one form of intellectual argument we have mastered," says Mihir Sharma, author of a book on Indian policy-making. Dipankar Gupta, a sociologist, says India's leader "in general says the right thing, but significant sections of his party say the opposite". Even Mr Modi's record is mixed. He refused to speak out against religious violence during this year's state-election campaign in Delhi, even as several churches were burnt or damaged. He did vow to ensure "equal respect to all religions". But this came only after the electoral rout of his Bharatiya Janata Party (BJP) in the Delhi election, and following a warning from Barack Obama,

America's president, that India must avoid "splintering" along religious lines.

On environmental matters and freedom of expression, Mr Modi's government—adopting the habits of its predecessors—has tended to silence those who would raise awkward subjects. In January officials at Delhi airport used trumped-up charges to stop an Indian woman leaving the country. She had planned to tell a parliamentary committee in Britain that a coal-mining project would harm forest dwellers in India. She worked for Greenpeace, a non-governmental organisation, which, like other NGOs, is facing visa bans and a financing clampdown. On March 12th the Delhi High Court, calling the action "illegal and arbitrary", said the government could not stop her from travelling.

The national censor board (now crammed with BJP appointees) in January upheld a decision to cut the word "Bombay" from a music video, because nationalists want only to hear the city's official name, Mumbai. Also in January, ruling BJP politicians in that city filed a legal complaint and launched an official investigation over a comedy stage show that they deemed "vulgar". Its online broadcasts promptly ended. A year ago (shortly before Mr Modi came to office) Penguin, a publisher (part-owned by Pearson, which is *The Economist's* largest shareholder), limply gave up publishing books by a respected American academic, Wendy Doniger, because Hindu nationalists dislike her view of Indian history.

Of course, Indians sometimes have cause for complaint. A German professor in Leipzig had to apologise on March 9th for saying that Indian men could not apply to be her interns because of India's reputation for sexual violence. Swapan Dasgupta, a columnist close to Mr Modi, thinks foreign opinion is distorted by a caricatured "Oxfam view" of India as a place only of "poverty, inequality, oppression of women and now the added element of rape". But the best way to correct such views would surely be to rebut them, not (as so often now) to censor them. ■

Needed: a proper debate

Selected social problems in India

Issue	Trend	Current situation	Modi's comments
Rape, reported cases per 100,000 females	2001 3.2 2013 5.7	Probably improving. More reports a sign of rising awareness, trust in police and the legal system	"When we hear about these rapes, our heads hang in shame", Aug 2014
Child sex-ratio, females per 1,000 males at birth	2000-02 892 2010-12 908	Female foeticide prevalent. Prosecution of doctors who reveal sex of foetus and ban on unregistered ultrasounds	"There is the practice of female foeticide. There is no bigger sin", Dec 2014
Infant mortality*, deaths per 1,000 live births	2001 67 2013 41	Steady gains, with safer births, better hygiene and nutrition, but still one of the worst rates in Asia	"We're hardly aware that hundreds of children die soon after being born", Oct 2014
Maternal mortality, deaths per 100,000 live births	2000 370 2013 190	Improving steadily. More births in clinics, but better survival rates in Bangladesh or Pakistan	"Many times, mother and child both die for want of primary health care", Oct 2014
Female literacy†, % of total (male equivalent)	2001 54 (75) 2011 66 (82)	Modest gains, but definition of literacy is lax and rural women are far behind	"Educating girls is my priority", Sep 2014
Female members of Parliament‡, % of total	2004 8 2014 12	Overall low representation. Some improvement in national parliament, but very low in state assemblies	"33% reservation [for women] in Parliament and legislative assemblies", Jun 2014

Sources: National statistics; World Bank; *The Economist*

*Under 12 months old †Age seven and above ‡Lower house

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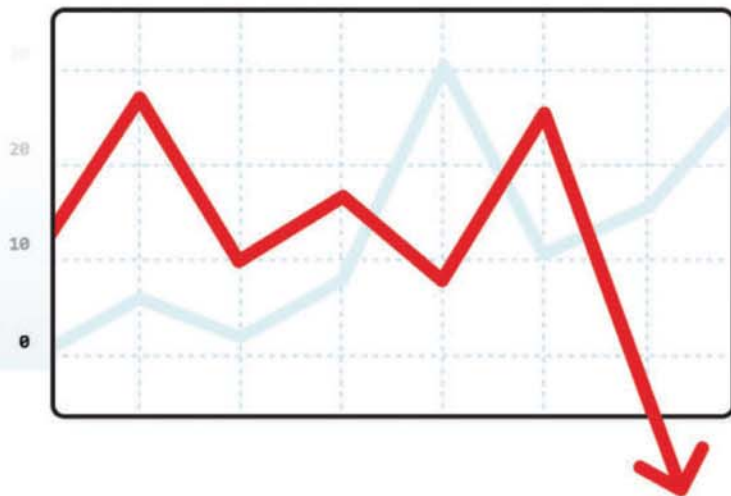
Jordan Goldstein
Rafe Teer
Charles Brazinski-Joyce



Bryan Maley
Edward Wolf
Frank Abt

Cast your vote in The Economist's Spring 2015 Case Study Competition

Can you
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The Economist has launched its Spring 2015 case study competition. Eighteen teams from universities around the world were invited to find a zero—that is, predict which company with a market capitalisation of more than \$1 billion will be bankrupt by 2020.

Each team submitted a written proposal and video presentation that debunks a conventional market view that it believes is demonstrably misguided.

The sponsor of the contest, Kerrisdale Capital, will select the top three proposals, and visitors to the site will choose the People's Choice winner.

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Banyan | Trouble at home

Political instability returns to South-East Asia



SINCE the turmoil of the Asian financial crisis in the late 1990s, South-East Asia has, with some glaring exceptions, enjoyed remarkable political stability. Its leaders have used that calm to promote greater integration of their club, the Association of South-East Asian Nations, or ASEAN. This was supposed to reach something of a climax at the end of 2015, with the birth of the ASEAN Community, which would set up an “economic community”, turning a region of 630m people into a “single market and a single production base”. But this looks likely to be a hollow achievement. There will be myriad formal legislative targets but little genuine integration. One reason is that the political backdrop has changed. Throughout the region, governments are increasingly preoccupied by crises at home.

The usual sources of instability, such as Thailand and Myanmar, remain troubled. A coup last year has imposed a phoney calm on Thai politics. But the central dilemma—that voters keep electing governments the establishment cannot tolerate—is no nearer resolution. Thais have long feared unrest or worse after the death of King Bhumibol Adulyadej, now a frail 87-year-old. The worry makes the generals even less willing to restore anything like real democracy, in case the monarch should die with the wrong sort of people in charge.

In Myanmar two linked and perilous processes were meant to reach fruition this year: democratisation, with an election in late 2015 that should, in theory, mark the transfer of power from the army’s representatives to a popularly elected government; and a national ceasefire, followed by formal peace talks to end decades of strife with the ethnic groups ringing the country’s borders. But the election may be held under a constitution that continues to give the army a veto over radical change. And hopes that a formal peace process might have been launched by now have been dashed (see page 40).

ASEAN has long survived the difficulties of these two countries. What has changed the regional outlook more is the emergence of political trouble in three of its founder members, all of which had seemed on course for a few years of stability and growth: Indonesia, Malaysia and the Philippines.

Indonesia’s neighbours were relieved by the victory in last year’s presidential election of Joko Widodo, or Jokowi. As the first

president from outside the established elite, Jokowi seemed to represent a victory for the democratic process itself and hence for stability. And his economic platform was not marred by the aggressive nationalism of his opponent, Prabowo Subianto. But Jokowi is struggling to manage his party, which has forced him into a bruising confrontation over his nominee (later withdrawn) to head the police force. His priorities remain domestic, as he showed with his refusal to heed pleas from foreign governments not to execute their citizens convicted of drug smuggling. ASEAN frets that he thinks Indonesia has outgrown it, and that he might try to pursue his country’s diplomatic interests more on his own.

Malaysia holds the rotating chair of ASEAN this year. Some observers think that may help Najib Razak, the prime minister, keep his job. His enemies, though, seem unconcerned about such niceties. Having apparently secured his post until 2018, in a narrow election victory in 2013 (in which his coalition lost the popular vote), Mr Najib is under fire from his own side. Mahathir Mohamad, a grumpy former prime minister fond of making mischief in Mr Najib’s United Malays National Organisation, points to a series of scandals and has suggested Mr Najib consider resigning.

Benigno Aquino of the Philippines, until recently a remarkably popular president, faces similar calls: from church and civil-society groups, from legislators and even from his aunt and uncle (brother of his revered mother, the late Corazon Aquino). A botched commando raid in January against Islamist rebels on the southern island of Mindanao led to the deaths of 44 special-forces troops and a row over who knew what and when. Mr Aquino will probably survive the storm. But his administration, at long last beyond its honeymoon, is on the brink of its long goodbye: talk of amending the constitution to allow him more than the permitted single six-year term ending in 2016 has been dropped. The favourite to succeed him is his vice-president, who, as often in the Philippines, is from the opposition.

Even Singapore, ASEAN’s richest country and famous for the tedium of its politics, faces uncertainty. Its founding prime minister, Lee Kuan Yew, has been in intensive care with pneumonia for over a month. The current prime minister, his son, Lee Hsien Loong, is recovering from an operation for prostate cancer. It was reportedly successful. His father retired from the cabinet in 2011. But so dominant was the elder Mr Lee in the shaping of modern Singapore that his ill health raises questions. And, with a big celebration planned this year to mark the 50th anniversary of its eviction from the Malaysian federation and birth as an independent country, Singapore, too, has domestic preoccupations, including the date of an election due to be held by early 2017.

We’ll always have Brunei

That leaves, within ASEAN, only four stable spots, all dictatorships: two Communist ones (Laos and Vietnam); one Islamic Sultanate (Brunei); and one thugocracy (Cambodia). None is likely to take a lead within ASEAN to foster integration.

So, as Barry Desker, a former Singaporean diplomat who is now an academic, says: “ASEAN integration remains an illusion.” Writing in Singapore’s *Straits Times*, he pointed to two dangers. One is that ASEAN splits into two tiers, with poorer Cambodia, Laos and Myanmar all shunning the—albeit stately—“fast” track to integration. The other is that ASEAN’s diplomatic unity frays as external powers, notably China, court individual members. For the moment, ASEAN offers little to shield its members from internal political upset or external diplomatic pressure. ■

Infrastructure

Aerotropolitan ambitions

ZHENGZHOU

China's frenzied building of airports includes work on city-sized projects

POLITICIANS in London who have been debating for years over whether to approve the building of a third runway at Heathrow Airport might find a visit to Zhengzhou—an inland provincial capital little known outside China—an eye-opening experience. Some 20,000 workers are labouring around the clock to build a second terminal and runway for the city's airport. They are due to begin test operations by December, just three years after ground was broken. By 2030, officials expect, the two terminals and, by then, five runways will handle 70m passengers yearly—about the same as Heathrow now—and 5m tonnes of cargo, more than three times as much as Heathrow last year.

But the ambitions of Zhengzhou airport (pictured right) are far bigger than these numbers suggest. It aspires to be the centre of an “aerotropolis”, a city nearly seven times the size of Manhattan with the airport not a noisy intrusion on its edge but built into its very heart. Its perimeter will encompass logistics facilities, R&D centres, exhibition halls and factories that will link central China to the rest of the global economy. It will include homes and amenities for 2.6m people by 2025, about half as many as live in Zhengzhou's main urban area today. Heathrow struggles to expand because of Londoners' qualms, but China's urban planners are not bothered by grumbling: big building projects rarely involve much consulting of the public.

The idea of airport-centred cities is not a Chinese one. John Kasarda of the University of North Carolina helped to promote it in a book he co-wrote, “Aerotropolis: The Way We'll Live Next”, which was published in 2011. He is an adviser to Zhengzhou Airport Economic Zone (ZAEZ), as the aerotropolis is called. China, however, is well-placed to turn Mr Kasarda's etymological mishmash into reality. The Chinese see airports as “competitive assets”, he says, not “nuisances and environmental threats”—although many cities, inspired by another American-invented term, insist they want to turn themselves into green “eco-cities”. New urban centres are being built on greenfield sites across the country. Some are being developed in such disregard of demand that they are becoming eerily empty “ghost towns”. But they are giving planners ample opportunity to build airports alongside new cities, instead of as afterthoughts.



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Construction of airports is proceeding at a blistering pace. The government's plan for 2011-15 called for 82 new airports to be built during this period. In the event, more than 100 have sprung up. Officials are fond of what they call “airport economics”, by which they mean the use of airport-building to boost local economies.

Only in a handful of cases do overseers of these projects explicitly say that they want to build aerotropolises. One example is in the southern outskirts of Beijing, centred on a village called Nangezhuang, where a groundbreaking ceremony was held on December 26th. Little activity is visible: a few pieces of construction equipment sat idle one recent afternoon at the edge of a sorghum field as herders walked their sheep along a nearby dirt road. But by 2019 the area is due to be turned into one of the world's largest airports, at a cost of 80 billion yuan (\$13 billion). As much as 80 billion yuan more will reportedly be spent turning the surrounding area into an economic and industrial hub.

Some wonder whether all this is necessary. Wang Tao of the Carnegie-Tsinghua Centre for Global Policy, a think-tank in Beijing, calls the airport-construction frenzy “misguided”. He believes many of the cities building big airports do not need them, thanks to a rapid expansion of the country's high-speed rail network in recent years (see map). Local officials, Mr Wang says, are after political prestige and a quick boost to local GDP; they are happy to leave their successors to grapple with the debts. Many new airports operate at a loss. Mr Kasarda, however, defends the Zhengzhou project. It is misguided, he says, to assess an airport's value solely by its operational profitability; its role as an economic driver also needs to be taken into account. “We are putting the aerotropolis theory into practice,” says Zhang Yanming, ZAEZ's Communist Party chief.

Zhengzhou has a long history as a trading and transport hub, well-connected to China's largest population centres. It also has an abundant supply of labour (it is the capital of Henan province, one of China's most populous, with more than 100m people). The ZAEZ allows duty-free import and re-export of goods and components. Mr Zhang says this has attracted more than a dozen makers of mobile phones, including Foxconn, a Taiwanese-owned firm best known for producing Apple iPhones. The ▶▶

► Foxconn factory employs 200,000 people year-round, and 300,000 at times of peak production. Three-quarters of the iPhones made globally in the past three years came from ZAEZ, Mr Zhang says. Such small, high value-added, products benefit greatly from ready access to airports.

Beijing's aerotropolis also has built-in advantages, not least strong support from the central government. Mr Kasarda acknowledges that his concept cannot work everywhere, especially in many of China's smaller cities. But he remains excited by the many suitable candidates in a country that is willing—and more able than most—to give it a try. "They can really design not just an airport, but an aerotropolis from scratch," he enthuses. It remains to be seen how enthusiastic residents will be about the jets roaring over them. ■

Organ transplants

Spare the bullet

BEIJING

Officials try to curb the use of organs from executed prisoners

TRANSPLANT operations in China have long relied on organs taken from executed prisoners, a practice that has led to such abuses as the timing of executions to meet organ demand, with no notification of relatives. As by far the world's biggest user of the death penalty, China could count on an abundant—if still far from adequate—supply. But in recent years, stung by international criticism, it has been trying both to reduce executions and to end the harvesting of organs from executed prisoners without their, or their families', consent. Since January 1st the government has insisted that no such organs be used for transplants. Ensuring compliance, however, will be difficult.

The number of executions is almost certainly falling, even if it remains far higher than in the rest of the world. The government does not release data, but the Dui Hua Foundation, an American NGO, reckons there were around 2,400 executions in 2013, down from 6,500 in 2007. In spite of the impact this has had on organ supply, the government still seems keen to sever the grim link between hospitals and courts that allows wealthy (or well-connected) patients to use organs from condemned prisoners. In theory, the rules mean that hospitals will be able to obtain only organs donated by volunteers to a national organ-bank.

The bank was set up in 2010, partly to fight corruption in the organ-allocation system by making it less haphazard. It was slow to get going: by the end of 2014 it had

The economy

Bad beginnings

SHANGHAI

Growth looks weaker, but the government has cards to play

THE Chinese economy has earned a reputation as a slow starter. In 2012, 2013 and again last year, it was sluggish out of the gates, fuelling concerns that much worse was to come. In each of these years, though, the government stepped in, boosting investment and easing monetary policy to keep growth on track. So the worse-than-expected data for the first two months of 2015, published on March 11th, bring more than a little sense of déjà vu. But there are also important differences.

Worryingly, the weakness is broader than in previous years. Almost all main indicators are pointing down. Investment rose by 13.9% on a year earlier, the slowest in more than a decade and down from 15.7% last year. Industrial output increased by 6.8%, the slowest since the global financial crisis. In December it had grown by 7.9%. Retail sales also slowed, a disappointing sign for the emergence of consumption as a driver of growth. Even more alarming was the property market, which in the past has driven as much as 15% of growth. It is now at risk of becoming a drag. Home sales fell by 16.3% year-on-year in volume, and new property starts were down by 17.7%.

The policy environment has also changed. Xi Jinping, China's president, has spread the gospel of a "new normal", by which he means that the government should place less emphasis on GDP and instead pursue structural reforms, such as fixing local-government debt problems (see page 73). This has fuelled doubts about how much the government might do to prop up growth. The central bank has trimmed interest rates, but only cautiously. The cabinet has changed the fiscal rules, making it harder for local governments to spend money. With consumer price inflation at a five-year low of 1.1% and producer prices deep in deflation, there is scope for the government to do more.

That is likely to happen. Now that the central bank has started its easing cycle, however tentatively, it is only a matter of time before it cuts rates again and further reduces banks' reserve requirements, making it easier for them to lend. Lou Jiwei, the finance minister, has pledged that fiscal policy will turn more supportive. The government may have lowered its growth target in 2015 to "about 7%" from the 7.5% of the past few years, but it does not want to miss it.

received only about 8,000 organs from deceased volunteer-donors (it is not clear if this includes organs from executed prisoners; there is little incentive for court officials to force death-row inmates to give assent if the organs are given to a bank rather than to somebody willing to pay). But in January and February alone nearly 1,000 were donated, thanks to the linking of more provinces to the bank's network. The head

of the government's organ-donation committee, Huang Jiefu, believes the bank will receive more than 10,000 organs this year. That is about as many as the number of transplants carried out annually, but a fraction of the 300,000 needed.

Persuading the public to donate remains a problem. Many Chinese adhere to a traditional belief that the body has to be kept intact to show respect for ancestors. A senior official at a provincial branch of the Red Cross Society of China, the agency responsible for the donor scheme, says that a lucrative backdoor trade in executed prisoners' organs will be hard to stop. He says hospitals, middlemen and court officials all benefit from it. They have often ignored a regulation passed in 2007 that requires consent from a deceased donor's family.

The government now appears to be suggesting it will get serious about a rule issued in 2013 which threatens hospitals with cancellation of their licences if they use organs other than those from the bank. One doctor says a small number of transplants performed at his hospital last year still involved prisoners' organs from outside the network. Mr Huang of the organ-donation committee admits that much work remains to be done. ■



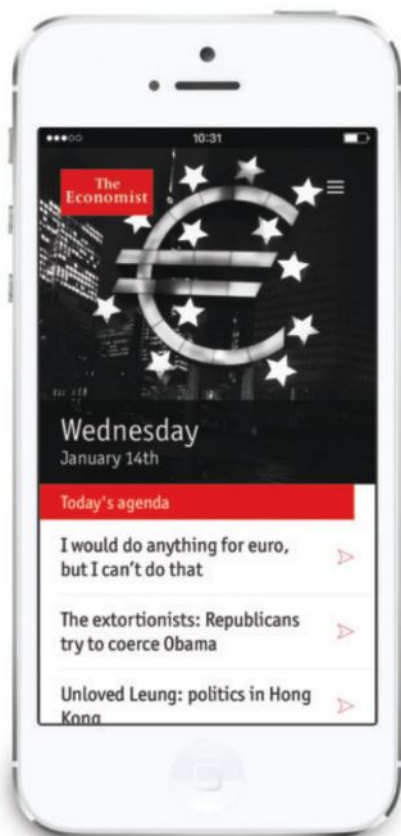
The
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SPECIAL REPORT
AMERICA'S HISPANICS

March 14th 2015



**From
minor to
major**



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From minor to major

One American in six is now Hispanic, up from a small minority two generations ago. By mid-century it will be more than one in four. David Rennie explains what that means for America

IN THREE TERMS representing Colorado in Congress, John Salazar got used to angry voters calling him a Mexican and not a proper American. During fights over the Obamacare health-insurance law, a constituent told him to “go back where you came from”. The attacks were misplaced. Mr Salazar is proud of his Hispanic heritage, but he comes from a place with deeper American roots than the United States. One of his ancestors, Juan de Oñate y Salazar, co-founded the city of Santa Fe in New Mexico. That was in 1598, some 250 years before it became American territory

(and the best part of a decade before English merchant-adventurers splashed ashore at Jamestown, Virginia). A laconic man in denims and cowboy hat, Mr Salazar is a fifth-generation Colorado rancher, farming the same corner of the San Luis valley that his great-grandfather settled 150 years ago, just when Mexico ceded the territory to America. As families like the Salazars put it, they never crossed the border, the border crossed them.

But their high desert valley is home to many Spanish-speaking newcomers too. A demographic revolution is under way. In 1953, when Mr Salazar was born, America's Hispanic population numbered perhaps 3m. It surged after changes in immigration law under President Lyndon Johnson, nearing 9m by 1970. Today it stands at 57m, out of around 321m Americans, and is on course to double by mid-century, when it is projected to be 106m out of 398m. In the past two decades Hispanic migrants have

spread from a few states and cities to places that had not seen big foreign inflows since the days of steam trains and telegraphs. The biggest group, with 34m, is Mexican-Americans. Since 2005 this has prompted Mexico to open five new consulates, from Little Rock, Arkansas, to Anchorage, Alaska (lots of Mexicans work the perilous Alaska crab fisheries).

Hispanics are transforming the definition of what it means to be a mainstream American. During the roughly 200 years from the presidency of George Washington to that of Ronald Reagan, whites of European descent consistently made up 80-90% of America's population. By the time of the 2010 census, the proportion of non-Hispanic whites (for simplicity's sake called whites hereafter) was down to 64%. Some time around 2044 it is projected to fall to less than half.

Some conservatives would retort that most Hispanics are white. They argue that the creation by federal bureaucrats in the 1970s of a new box on forms turned hard-working migrants into an artificial new race, trapping them in a ghetto of grievance politics and government welfare. But that is too glib: for generations Hispanic-Americans were whites on



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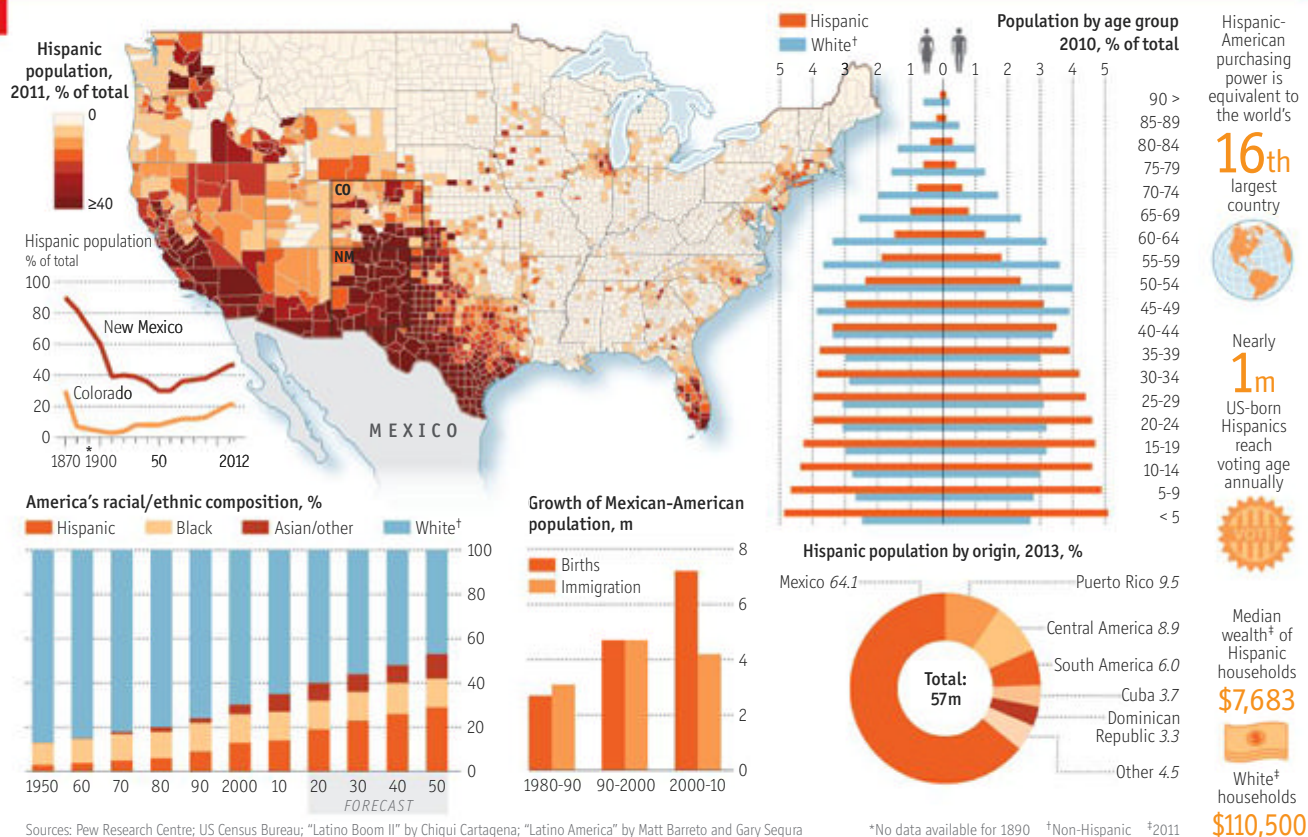
- 5 Language**
Dreaming in English
- 6 Identity**
A suitable box to tick
- 7 Politics**
Not our thing
- 8 Cuban-Americans**
Cuba libre
- 9 Casual workers**
In the shadows
- 10 Faith**
Pick and mix
- 11 Gangs**
The dark side
- 12 Education**
College or bust
- 13 Media**
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- 14 Latino music**
Listen to this
- 15 A multi-hued future**
Have faith in the melting-pot

A list of sources is at
Economist.com/specialreports
An audio interview with
the author is at
Economist.com/audiovideo/specialreports



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Sources: Pew Research Centre; US Census Bureau; "Latino Boom II" by Chiqui Cartagena; "Latino America" by Matt Barreto and Gary Segura

► paper only, denied equal access to everything from schools to restaurants or town cemeteries.

More broadly, it is white decline that makes today's demographic revolution so remarkable. America has twice before witnessed European migration waves that were proportionately even larger when measured against the population at the time: once in the 19th century and again at the start of the 20th century. Those new Americans came to be seen as respectable, over time, as they assimilated towards a majority culture rooted in what were explicitly called Anglo-Protestant ideals: self-reliance, rugged individualism, thrift and hard work. Yet now that white majority is on course to become a minority.

This will touch every aspect of public life, from politics to pop culture. Every year around 900,000 Hispanics born in America reach voting age. Neither party should imagine it will own their votes in perpetuity, but Republicans have the most work to do. In the 2012 presidential election Mitt Romney, the Republican candidate, got nine in ten of his votes from whites, whereas Mr Obama won eight in ten of the votes cast by minorities. If the Republicans want to catch up, party hardliners will have to stop taking extreme positions on immigration. Hispanics are unlikely to listen to messages about jobs or health care from candidates who are also proposing to deport their mothers.

Business is waking up to the rise of Hispanics. Joe Uva, chairman of Hispanic enterprises and content at NBCUniversal, a big media company, is fond of telling fellow executives that with a combined purchasing power of \$1.1 trillion, if Hispanic-Americans were a country they would rank 16th in the world.

A giant reason to be optimistic about the rise of Hispanics is that they are making America much younger. The median age of whites is 42; of blacks 32; and of Hispanics 28. Among American-

born Hispanics, the median age is a stunning 18. As other parts of the rich world face a future of ageing, shrinking populations, Hispanics are keeping American schoolyards full of children and replenishing the supply of future workers. Since about 2011, white and non-white babies have been born in roughly equal numbers. White women already have fewer children than needed to replace their parents. Hispanic women's fertility rate has dropped a lot, but at an average of 2.4 children it is still above replacement level.

In a recent book, "Diversity Explosion", William Frey of the Brookings Institution, a think-tank, makes an impassioned call to celebrate America's new demographics. In just a few years, his numbers show, there will be as many whites over 65 as white children. Among non-whites, children outnumber the old by four to one. Take away Hispanics and other fast-growing minorities, and America's numbers look like those for Italy, a country full of pensioners with a shrinking labour force. As things stand, however, America's working-age population is expected to grow at a healthy clip.

How to double without trouble

It is important not to be Pollyanna-ish about the challenges ahead. If in 2050 America's Hispanic population were to look the same as today's, only doubled in size, a great demographic adventure might end badly. For now, young Hispanics are more likely than whites to drop out of high school and less likely to complete degrees. Adult Hispanics are half as likely as whites to work as managers or professionals. Fewer of them own their homes, and many were clobbered by the 2008 financial crisis. Lots of migrants move north to escape drug cartels and violence, but America's proximity to poor, patchily governed countries to ►►

► its south is a business opportunity for criminals, too. In 2013 the National Gang Intelligence Centre, a government body, estimated that Mexican transnational crime organisations “partner with” 100,000 street-gang members in Chicago alone.

Immigration sceptics commonly point to another question mark that seems to hang over Hispanics. Previous immigrant groups typically saw progress with each passing generation, but Hispanic numbers have a habit of stalling or even heading backwards. American-born children of Hispanic immigrants tend to be less healthy than their parents, have higher divorce rates and go to jail more often. Jump from migrants’ children to their grandchildren, and studies have shown academic results slipping in the third generation. Conservatives fret about “downward assimilation”. Academic texts have asked, “Is Becoming an American a Developmental Risk?”

Some see such indicators as proof that foreigners from an alien culture have created a new underclass that must be pushed back. Such fears are overblown: many trends are heading in the right direction, albeit slowly. This report will visit schools working in innovative ways to improve Hispanic high-school graduation rates and to reduce teenage pregnancies. Many more Hispanics are enrolling in college—and still more would seek degrees if conservative politicians looked to the long term and changed state laws that make the children of unlawful migrants pay much more than their American classmates for a public college education. When one in four children in public schools is Hispanic, economic self-interest alone should prod states to get them ready for the 21st century.

This report will show how some Republicans in Tennessee, a conservative state, are debating pragmatic changes. Alas, in other states, Tea Party zealots are leading a charge in the wrong direction. Texas used to stand out among conservative states for a businesslike approach to immigration. But in 2014 a dismaying number of Texas Republicans ran for election vowing to repeal a far-sighted 2001 law granting subsidised college tuition fees to students resident in the state, regardless of their legal status.

Steve Murdock of Rice University, a former boss of the US Census bureau, recently published a paper warning Texans that Hispanics are not getting enough advanced degrees and qualifications to replace highly educated whites retiring from their state’s workforce. By 2050, his study predicts, Hispanic workers will outnumber white ones in Texas by almost three to one, but without a change in education policy the state will be poorer and less competitive.

The idea of a permanent Hispanic underclass needs to be treated with caution. In a 2011 study, Brian Duncan of the University of Colorado, Denver, and Stephen Trejo of the University of Texas at Austin argued that the theory of down-

ward assimilation in the third generation may rest on a statistical quirk. People who still call themselves Mexican-American at that point are often less educated and less fluent in English than their better-assimilated cousins, notably the children of mixed marriages, who may no longer identify themselves as Mexican. That makes the numbers for Hispanics look worse than they are.

Nativist panic-mongering about a Hispanic “invasion” has helped to skew public perceptions. Many Americans vastly overestimate the incidence of illegal immigration. A survey in 2012 by Latino Decisions, a pollster, asked non-Hispanics to guess the percentage of undocumented Spanish-speaking immigrants. The average guess was one in three. The real figure is one in six. And fresh immigration as a cause of Hispanic population growth was overtaken in 2000 by Hispanic births in America. Of the 17m Hispanic children in the country, some 93% are native-born citizens. Even if a glass dome could be placed over the country, ending all immigration, and every undocumented Hispanic were to be ►►

Dreaming in English

It takes just a generation or two

IN 2004 THE historian Samuel Huntington published a bleak and at times nasty book about Mexican immigrants to America, fretting about their numbers, their Catholic values, their fertility and the threat they posed to the English language. “There is no American Dream,” he declared. “There is only the American dream created by an Anglo-Protestant society. Mexican-Americans will share in that dream and in that society only if they dream in English.”

The law having no jurisdiction over dreams, those who share Huntington’s views have busied themselves over the years banning such things as government leaflets in foreign languages, bilingual ballot papers and dual-language schooling. Since the late 1980s more than a dozen states have passed “English-only” laws. In 2009 the city of Nashville, breaking with its laid-back, guitar-twanging image, staged an “English-

only” referendum. The proposal was rejected by 57% to 43%. One puzzle of the campaign was hearing long-time Nashville residents claiming that their ancestors had learned English “instantly”, says Renata Soto of Conexión Américas, a Latino business incubator and advice centre. If that were so, she notes drily, it seems odd that 19th-century Nashville supported German-language newspapers for years.

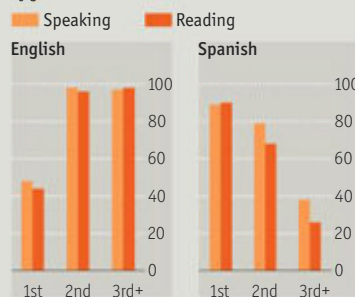
Nashville’s handsome downtown library proves her right: the archived issues of the *Tennessee Staatszeitung* are enough to give a nativist palpitations. The German-language paper demanded police jobs for Germans and classes to teach German children their ancestral tongue. In April 1866 it called for “as many Germans as possible” to emigrate to Tennessee.

Today, Germanic chest-beating is forgotten and Latinos are quietly following the same path as immigrants down the ages. New arrivals often have patchy English and stick to the Hispanic quarter around Nashville’s Nolensville Pike. After a while, however, they feel the need to become bilingual: there is a waiting list for Conexión’s English classes for adults. In national polls for the Pew Hispanic Centre, more than 90% of second- and third-generation Latinos say they are confident in English.

Across America, about 23m Hispanic consumers are mostly Spanish-speaking, according to Nielsen, a research firm, and roughly 22m are English-dominant. Over the past decade the fastest growth has been among those who use both languages equally, now numbering 4.5m. Hispanic marketing gurus explain that bilingualism is “cool”.

Learning fast, forgetting slowly

Hispanic-American language proficiency
By generation, 2009, %



Source: Pew Research Centre

A suitable box to tick

The origin of the “Hispanic” label

IT IS NOT often that a single individual changes the way a country thinks and talks about itself. But Grace Flores-Hughes, a federal administrator from south Texas, is uniquely responsible for the spread of the term “Hispanic” to describe American residents of Mexican, Puerto Rican, Cuban, South and Central American descent. More than any other official, Mrs Flores-Hughes (now retired and living near Washington with her husband, a former air-force general, and a yappy poodle named Zorro) prodded President Gerald Ford’s administration to adopt the label in the mid-1970s, after much wrangling about the right word.

Mrs Flores-Hughes concedes that Hispanic is an ungainly hybrid. Technically, it describes an ethnicity, used by government as a complement to such race-based descriptions as white or black. But it is better than being called a “dirty little Mexican”—the jeer thrown at her in her rural girlhood.

“Hispanics” was contested from the start. Leftish sorts, especially on the West Coast, grumbled that the term gave too much glory to swaggering Spanish conquistadors. Many preferred “Latino”. Conservatives had a different gripe. Most Hispanics are voluntary migrants or their heirs and do not bear scars from past bigotries, so there is “no moral justification” for including them



Mrs Flores-Hughes’s bright idea

in affirmative-action programmes, argues Mike Gonzalez, author of “A Race for the Future—How Conservatives Can Break the Liberal Monopoly on Hispanic Americans”.

Hispanic-Americans are not universally keen on the label either. When asked how they usually describe themselves, they tend to cite their country of origin or call themselves American. Only one in four prefers a

pan-ethnic tag such as Hispanic or Latino. Today those two terms are used almost interchangeably, as they will be in this report.

Some conservatives want the Hispanic box scrapped. Critics are failing to grasp why a new box was created, says Mrs Flores-Hughes. In the early 1970s, when she worked in the Office for Spanish-Surnamed Americans in the Department of Health, Education and Welfare (HEW), many Mexican-Americans, Puerto Ricans and others were dropping out of school. That problem had to be measured before it could be tackled. Mrs Flores-Hughes says it helped that Hispanic was an artificial term rather than the name of someone else’s country. She successfully argued that “Latino” could include Brazilians or even Italians. The Hispanic box subsequently spread from HEW to the whole government.

Lines are blurring. In recent years more than a quarter of new Hispanic marriages have involved a non-Hispanic partner, a Pew Research Centre study found. The 2010 census revealed a softening of the distinction between ethnicity and race, with more than 18m of those who had ticked the “Hispanic” box then ticking “some other race”, not white or black. Census designers are now considering a single “race or origin” box, allowing those who identify themselves as Hispanic to tick that box alone or add a label specifying race.

► rounded up and deported, tens of millions would remain.

As it happens, the chances of immigrants without papers being sent back have recently diminished. In June 2012 Barack Obama announced that the federal government would not deport certain undocumented migrants who arrived in America as children, a move that could cover up to a million young people. In November last year Mr Obama extended the scheme to shield about 4m parents of citizens and permanent residents, though his action is now being challenged in the courts.

Grey v brown

The Hispanic population’s youth should be celebrated, but poses one grave political risk: a clash with elderly whites. The baby-boomer generation, now beginning to retire, remains an overwhelmingly white cohort. The alarm was sounded in an essay in 2010 by Ronald Brownstein, “The Gray and the Brown”, predicting a generational confrontation between grey-haired oldies, bent on preserving benefits that favour them, and multi-ethnic, brown-skinned youngsters wanting more spending on day care, schools and colleges. Mr Frey agrees. It is telling, he suggests, that states with the harshest anti-immigration laws often have predominantly white old folk living alongside highly diverse children (in Arizona, for example, 83% of the over-65s are white, whereas 58% of the children are non-white).

Calm logic should prod older Americans to welcome well-

educated young taxpayers of any colour. But in politics culture matters just as much as logic. Even different generations of Hispanics can clash, as John Salazar has witnessed in Colorado. During an attempt to pass a comprehensive immigration reform in Congress, he was berated by Mexican-American constituents whose families had been in his valley “for ever”. They asked him why he was trying to help the *mojados* (wetbacks)—a pejorative for Mexicans supposed to have swum across the Rio Grande.

The San Luis valley, a quiet, deep-rooted spot, is a good place to start discovering how Hispanics will change America in myriad ways—and how the country will change them, offering reminders that Hispanics are among America’s oldest as well as its newest residents. Mr Salazar’s ancestors did not much benefit from being the first non-Indian settlers in the valley once white, Mormon incomers started to arrive in the 1870s. Mexican-Americans were deemed overly fond of alcohol, indifferent to education and unworthy to hold most local offices. “When I was growing up, the Anglos held every position. Every now and then you’d get a Spanish judge,” Mr Salazar explains, without rancour. A great-uncle briefly served in the Colorado legislature, but was ruined by the Depression in the 1930s. Family lore holds that banks foreclosed on supposedly unreliable Mexican ranchers while sparing Anglo neighbours. Decades later, when the future congressman was a boy, he was beaten for speaking Spanish in school grounds.



► America offers far more opportunity now. John Salazar, raised as one of eight children on a 52-acre (21-hectare) farm without electricity, recently retired as his state's agricultural commissioner. He oversees family holdings totalling 4,000 acres. His younger brother, Ken Salazar, was the first Hispanic senator for Colorado before becoming President Barack Obama's first interior secretary.

Mr Salazar has a keen sense of history. He proudly shows off some riverside land, silver with frost and sheltered by cottonwood and willow trees. Bank managers took it from his great-uncle almost a century ago, but he recently bought it back. "The most beautiful place in the world," he says. He is more interested in the future, explaining his plans for the ranch and pondering what immigrants might do if they are brought out of the shadows. New ideas are "what makes our country strong", says Mr Salazar. It is a very American remark. ■

Politics

Not our thing

Turnout among Hispanics is low, but they are well worth wooing

TWO UNHELPFUL CLICHÉS, one of them loved by Democrats, the other by Republicans, haunt discussions of the Latino electorate and its power. Folk on the left see in present-day California a vision of how America as a whole will look by mid-century. They point to the moment in 2014 when Latinos overtook whites as the largest single group in the state. Then they note that the Hispanic boom coincided with the collapse of the once-mighty California Republican Party after its leaders promoted harshly anti-immigrant laws in the 1990s.

When politicians of the right talk about Latino voters, they almost invariably quote Ronald Reagan's remark to Lionel Sosa, a campaign adviser, that "Latinos are Republicans, they just don't know it yet." By this, they mean that conservative church-going, entrepreneurial, family-loving Latinos are being tricked by Democrats.

As with most clichés, there is a smidgen of truth to both. California Conservatives demonstrated their anger and alarm at the changing face of their state and duly discovered that it is hard to win elections in a state that you seem to dislike. Today's Democratic Party is out of step with culturally traditional voters. But the clichés are unhelpful because, deep down, each is a claim that today's parties have no need to change their policies since Latino voters will move in their direction anyway.

Recent elections should have taught both parties the opposite. Latino voters have told Republicans that immigration is a threshold issue. The polls are unambiguous. When candidates sound heartless about deportation or endorse what sounds like racial profiling, Hispanic vot-

ers are less willing to listen to what Republicans have to say about jobs, taxes or even abortion. Dealing with this will not be easy, because Republicans disagree among themselves about immigration, and because their hardliners make the most noise.

As for the Democrats, they cannot afford to be complacent. In 2012 the Republican presidential candidate, Mitt Romney, got a derisory 27% of Hispanics' votes after he proposed making life so wretched for undocumented migrants that they would "self-deport". Yet even with partisan feelings running so high, less than half the 23m Hispanics eligible to vote bothered to turn out. An even smaller share voted in the 2014 mid-term elections, in which Democrats were defeated in states such as Colorado where the Hispanic vote had been touted as a Democratic secret weapon. In part, Hispanics tend to stay away from the polls because many adults are non-citizens, and those who are eligible to vote are mostly very young and have low incomes. These traits are associated with a low turnout among all ethnic groups.

The Latino electorate is also a work in progress, says Darren Soto, a Democratic state senator from central Florida, whose district is home to a sizeable chunk of the nearly 1m Puerto Ricans now living in the state. Puerto Ricans are a distinctive group because all of them are American citizens by birthright, whether they are "Nuyoricans" (as islanders who first settled in New York are known) or "puros" (the name for migrants from the US-governed island), and all can vote. For at least a decade after leaving Puerto Rico migrants remain more attached to island politics, he says, and even though they "lean more Democratic" in their instincts, their vote remains "up for grabs".

Colorado was notable for a hard-fought 2014 Senate race in which the victorious Republican candidate, Cory Gardner, managed to sound vague but warm about immigration, which proved enough to take the issue off the table. Of those Colorado Hispanics who did go to the polls, 65-70% voted for the Democrats, says Rick Palacio, the party's state chairman. But he worries "tremendously" that Democrats failed to rally two counties, Pueblo and Adams, full of blue-collar, long-established Hispanics, with conservative views on such issues as gun control. Put another way, they look more and more like working-class ►►



Seeing red

Cuba libre

How exiled Cubans are responding to the island's opening

BEFORE FELICE GORORDO, a young Cuban-American entrepreneur, first visited his homeland in 2002, he had to endure a titanic row with his parents. His mother and father are stern Republicans, like many who left in the first decades of the Castro regime, and saw travel to the island as a betrayal of the revolution's victims.

Mr Gorordo's mother had two uncles, one of whom supported the revolution and stayed whereas the other one fought the Communists and was jailed before heading for America. Yet when Mr Gorordo at last met his relatives on the island, he found that the schism was not as deep as he had feared. He saw photographs of himself and his family in Florida, sent to Cuba by his exiled uncle who had quietly maintained ties with letters and parcels. Then his 13-year-old cousin walked into the room, sporting a familiar outfit. "He didn't just look like me and sound like me, he was wearing my clothes," Mr Gorordo recalls. After that visit Mr Gorordo founded Roots of Hope, a non-partisan youth group which promotes engagement with the island.

Beyond human interest, such stories have national political significance. More than one presidential election was arguably swung by America's 2m-strong community of

Cubans, who are more conservative than other Hispanics and mostly live in the swing state of Florida. Since the cold war Cubans have, in essence, enjoyed automatic rights to political asylum and permanent residency the moment they set foot on American soil. That has made them something of a resented elite among Hispanics.

Mr Gorordo's group avoids commenting publicly on President Obama's decision in December last year to seek diplomatic ties with Cuba and to ease curbs on travel and trade with the island (only Congress can fully lift the 55-year-old Cuban embargo). What he will say, with confidence, is that America's Cuba policy is less often a vote-deciding "wedge issue" among his younger members.

Polls suggest that greater engagement with Cuba is backed by hefty majorities of younger Cuban-Americans, and by those who went into exile following an economic crisis in the early 1990s. Alejandro Barreras, an advertising executive, left Cuba in 1992. He feels no love for either the Castro regime or for old-school hardliners in Florida who complain that money invested in Cuba props up the regime. Mr Barreras disagrees: in the long run, "private economic activity makes people less dependent on the Cuban state."

Florida's politicians are adapting. Carlos Giménez, the 61-year-old centrist Republican mayor of Miami-Dade County, has not seen his Cuban homeland since leaving in 1960. But he does not condemn constituents who travel back and forth to support relatives.

Local political reactions to the presidential plan fall into three broad camps. Hardliners oppose "rewarding" the Castro regime with negotiations of any sort. Liberals would support a unilateral end to the embargo. A middle camp (including Mr Giménez) does not exactly claim that the embargo has worked, but accuses Mr Obama of offering concessions without any guarantees of reform from Cuba.

In the 2016 presidential elections younger Cuban-Americans will be less likely to support Republicans, but older conservatives remain much likelier to vote. Only about a third of Cubans who have arrived since the 1990s have progressed from residency to full citizenship. At the same time the Cuban vote has become more diluted by the inflow of other ethnic groups. With luck, relations with Cuba could stop being a hostage to domestic politics and become just another aspect of foreign policy.

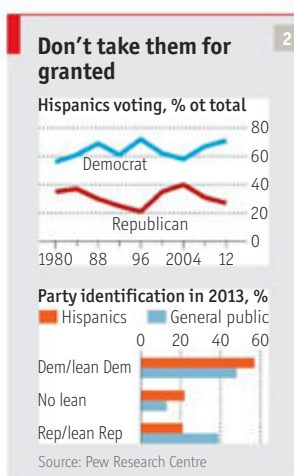
► whites—which Democrats have been "haemorrhaging" in races all over the country, as an anxious Mr Palacio puts it.

Texas saw another Democratic disappointment. Ahead of the 2014 elections, youngsters who worked on Obama campaigns had flooded the state to register Hispanic, non-white and younger voters, trying to chip away at the state's Republican majority. There was much bold talk about turning Texas into a swing state by 2020, when it is projected to be 42% Hispanic. Yet the Democrats flopped in Texas, and Republican candidates pulled in more than 40% of the Latino vote across the state.

The state's Republican chairman during the 2014 election, Steve Munisteri, prepared by privately polling Texas Hispanics who had voted in 2012. They are socially conservative, he found, "solidly" opposing abortion. And they are centrists when it comes to the role of the state, wanting to see basic safety nets preserved, from Social Security for the old to Medicaid for the poor. Culture is as important as ideology in explaining why most of them are Democrats. Even when Hispanics agreed with Republican positions, "they felt our party was exclusive and was orientated to Anglos of upper income."

Don't mention the D-word

One word turned out to have the power to wreck relations: deportation. Mr Munisteri got pollsters to describe two immigration plans to Hispanic voters. One was pretty conservative, involving tougher border security and a guest-worker programme for migrants, offering no guarantee of citizenship. A majority of



Texas Hispanic voters could live with that. A second proposal involved deporting all those who were in the country illegally and making them apply for re-entry from overseas. That proved unacceptable: most Hispanics, even of the third or fourth generation, know a recent arrival or undocumented immigrant. To Mr Munisteri's relief, mass deportation was not the official policy of Texas Republicans in 2014.

Republican members of Congress, by contrast, have less incentive to worry about Latinos. Some 81% of the Republicans in the House of Representatives hold districts that are

more white than the national average. Julián Castro, a Texas-born Democrat who is currently Housing and Urban Development Secretary in Mr Obama's cabinet, and is seen as a potential vice-presidential running-mate for Hillary Clinton, reckons that "Republicans in Congress have very little practical interest in righting themselves with the Hispanic community."

Yet as shrewd Democrats like Mr Castro acknowledge, ►►



Here today, here tomorrow

► some national Republicans pondering the 2016 presidential contest see every reason to pick a candidate who does not put Hispanics off. He or she would not need to win all their votes: securing just 40% of them could deny the Democrats several closely fought states.

Jeb Bush, a former governor of Florida and the brother and son of former presidents, is a master at promoting sternly conservative fiscal policies while assuring Hispanics that he values their presence. In 2014 Mr Bush, whose wife is Mexican, declared that many cross the border illegally as an “an act of love” for their families. Al Cardenas, a long-time Bush ally and Republican power-broker in Florida, says that Hispanics are “very instinctive”. Perfect agreement on policies matters less than “demeanour and tone”.

For now, Hispanics as a group lean strongly Democratic. But winning their votes will require more sophisticated messages as younger generations come of age, suggests Congressman Henry Cuellar. He is a centrist Democrat whose district includes Laredo, Texas, the most Hispanic city in America (it is 95.6% Latino). Older voters worry about preserving federal safety nets or social issues such as abortion, he says, but younger generations speak more English, are better educated and want to hear about solutions to hard social-mobility problems. “Per capita, we are behind in wealth. Better-paying jobs. These things are what resonates.” For too long, his own Democratic Party has “really taken us for granted”, Mr Cuellar charges, and he is right. As the Latino vote grows, both parties will have to work much harder for it. ■

Casual workers

In the shadows

Life at the bottom of the labour market

THE JUNCTION OF De Vargas and Guadalupe Streets, near the historic centre of Santa Fe, New Mexico, has been a place to trade labour for hundreds of years. Each morning dozens of men gather, waiting for professional builders or householders to pull up, offering work for a few hours or a day. Latinos call such casual labour “work on the corner”. Santa Fe’s chosen corner dates back to the days of Spanish colonial rule; the start of the old royal road to Mexico City is close by. Less picturesque corners are found across America. Often day labourers (or *jornaleros*) gather near home-improvement stores. The sight of such men, stamping workboots against the cold or sweating in mid-summer, is for many Americans the most visible reminder that millions of migrants live among them, outside the law.

Scores of state and city ordinances have been passed in recent years to stop day labourers from seeking work in the open. Anti-immigration activists have picketed sites, demanding that residency laws be enforced. When more liberal cities either tolerate day labour or designate special sites for hiring such workers, they trigger talk of creating “magnets” for illegal incomers.

In fact, the day-labour market is smaller than its high profile would suggest. A study in 2006 by the University of California, Los Angeles, based on a coast-to-coast survey of hundreds of sites, concluded that on a given day about 118,000 workers were looking for casual work. About a quarter of those surveyed had legal residency or passports.

Jornaleros take immigration law seriously, but as a back-

ground risk, like lightning that might strike from a threatening sky. Day-to-day, the sight of a police car is no reason to panic. Since 1999 Santa Fe—a small, Democratic-run city surrounded by a more conservative state—has barred the use of city resources to detect or detain people on the basis of their immigration status alone. Several other “sanctuary cities” have similar rules, including such giants as New York, Los Angeles and Chicago.

Life in Santa Fe’s grey economy is strikingly businesslike. Several *jornaleros* called it “peaceful”. If migrants do not cause trouble, immigration agents and police leave them alone, says Alfredo Romero, a 29-year-old from Guatemala. Before the recession and a local housing crash there was “work every day, if you wanted”, he recalls, as wet snow falls. Now times are harder. Normal pay rates are \$10-12 an hour, but in freezing weather there may be no jobs for days.

Crucially, unlike neighbouring Arizona or Texas, New Mexico grants driving licences to undocumented residents. The state’s Republican governor, Susana Martinez, has tried several times to revoke that licence law, calling it a threat to public safety, but has been thwarted by Democratic state legislators.

The financial crisis closed the construction firm that had employed Jaime Nuñez, a Mexican stonemason, for ten years. Mr Nuñez secured permanent residency during a 1986 immigration amnesty (“from Ronald Reagan, my best friend”). Having legal papers makes it harder to find work, he claims: employers know they can treat undocumented men “how they like”.

American bosses are more honest than fellow Latinos, ventures Epifanio López, who left Chihuahua six years ago. He shares a house with his wife and two other couples, paying \$700 a month. A companion speaks of surviving the winter like “little ants”, on savings from the summer. The open-air site is not comfortable, concedes Mara Taub, a white-haired community advocate for the labourers, but it is safer for the workers, who can make themselves scarce “if a certain sort of government car” were to turn up.

An orderly queue

Nearly a thousand miles due west, in southern California, Burbank takes a different approach. The city obliged Home Depot, a do-it-yourself chain, to cede a corner of its car park to a “Temporary Skilled Workers Centre” run by the Catholic Charities of Los Angeles. A high fence surrounds the neat compound, which *jornaleros* have planted with shrubs and a flowering bougainvillea. It is kitted out with an office, a bathroom and rows of metal picnic tables outside. A shrine to the Virgin of Guadalupe ►►

► had to be dismantled after anonymous complaints.

Men (they are almost always men) must arrive before 6.10am to enter a daily lottery for work. On a sunny winter Saturday a steady flow of locals drives into the centre's pick-up lane. A woman in a BMW wants a mirror installed. A building contractor in a truck needs help with dry-walling. All must deal with a manager, José Peres, a small bulldog of a man, who agrees pay rates before calling workers forward. On pain of expulsion, nobody may rush employers' cars. On a typical day 30 workers turn up, and almost all find some work.

Jorge García, a 47-year-old from Mexico, used to work in hotel maintenance but could not survive on the minimum wage. "Some people think we don't pay taxes, but most of us do," he says. He pays up as "evidence" of good behaviour in case of a future immigration amnesty. Tax authorities will issue an Individual Taxpayer Identification Number (ITIN) to workers without legal status. Like many migrants, Mr García sends money home, as much as \$200 a week, to pay for his two daughters to go to university. He has not seen them for ten years, except on Skype.

Two similar centres closed in recent years, sending *jornaleiros* onto street corners amid reports of gambling and fights. The cities that were funding the centres found them too expensive, says Margaret Pontius of Catholic Charities. She detects a not-in-my-backyard mood. "People get incensed because those 'terrible people' are in their neighbourhood," she says. But Burbank's centre flourishes because it is known to be orderly. In a country with millions living in the shadows, such dilemmas abound. ■

Faith

Pick and mix

Even in religion, America offers more choice

AS MANY AS 600,000 American Latinos "defect" from Roman Catholicism to Protestant churches each year, according to Andrew Greeley, a scholar of religion. Most join Pentecostal and evangelical churches. The journey can be stressful, concedes Jesse Miranda, a Latino Pentecostal elder statesman. Not long ago he was approached by a Hispanic congregant who had left the Catholic church a year earlier. She anxiously asked: "But where is Jesus on the cross?" Ah, in our church, Christ is risen, Mr Miranda explained.

The difference goes beyond theology, suggests Mr Miranda, who is based in Los Angeles, home to almost 5m Catholics, some 70% of whom are Hispanic. He describes a Catholic church with a reverence for suffering, linked to the deep "fatalism" of a Latin American continent conquered by the Spanish crown: "The more Latino you are, the more you carry Jesus on the cross." Yet, he points out, migrants do not move to another country to suffer, they move for a better life.

The point is made more bluntly by Samuel Rodriguez, president of the National Hispanic Christian Leadership Conference, an umbrella body for more than 40,000 Pentecostal and evangelical

Latino churches in America and Puerto Rico. The Catholic church in Latin America is "an extension of the bureaucratic state", he charges, and offers only indirect access to God through the Virgin Mary and the priesthood. Worse, Catholics are told that salvation awaits in another life—and in the meantime, blessed are the poor. In contrast, evangelical churches offer a personal relationship with Jesus Christ, leading to a blessed life here and now. "You get to America, the land of milk and honey, and you get to choose," says Mr Rodriguez, a dapper figure in a well-cut blazer and aviator sunglasses.

Hispanic Catholics cheered the election of Pope Francis, an Argentine. The new pope has welcomed the rise of Charismatic Catholicism, which marries traditional theology with services that may include Hispanic rock music, faith-healing and in some cases speaking in tongues. But Charismatic services are merely a bridge to even more defections, declares Mr Rodriguez. "If you are involved in a Charismatic service today, in ten years' time—in inevitably—you are going to end up in one of my churches."

The power of prayer

Surveys suggest that at least one in six Hispanic adults in America is an evangelical Protestant, meaning that this subset on its own outnumbers Jewish-Americans. Another one in six Hispanics says he has no religious affiliation. Such numbers are of keen interest to politicians as well as priests. Republicans have long seen Protestant Latinos, notably those who speak English, as likelier allies than Hispanic Catholics, who are regarded as steeped in Latin American traditions of "social justice" and sceptical of free-market capitalism.

During their presidencies, both Bill Clinton and George W. Bush wooed Mr Miranda with invitations to White House meetings and faith-based policy groups. In 2009 Mr Rodriguez was one of a group of pastors invited to pray with President Barack Obama on the morning of his inauguration, though (in keeping with his conviction that Latino evangelicals should not be owned by either party) he also delivered an opening benediction at the Republican National Convention in 2012.

Exit polls suggest that Hispanic Protestants are that rarest of political animals, a presidential swing electorate. They twice voted for Mr Clinton, then for Al Gore in 2000, then switched to the Republicans to support Mr Bush in 2004 before swinging back to Mr Obama in 2008 and 2012—mostly on the strength of his promises to bring undocumented immigrants out of the shadows. Latino evangelicals are sternly anti-abortion but want immigration reform (and are cross with Mr Obama for doing too little), says Mr Rodriguez. They believe in government safety nets, but only on a modest scale.

On the ground, cultural differences are more obvious than ►►



Church members take turns to lead stripped-down, repetitive chants of praise

► any ideological divide. A Pentecostal service at the Assemblies of God Ebenezer Temple, in a gritty corner of south Los Angeles, stands out for its intensity and simplicity. Church members take turns to lead stripped-down, repetitive chants of praise, to the backing of a loud guitar band and occasional blasts on a ram's horn from a man in the congregation. Catholic services on the far side of the city, at the St Catherine of Siena church in Reseda, are not stuffy, but they do feel a bit more demanding. The readings on a recent Sunday deliver a stern message about fornication, and worshippers recite the familiar, lengthy prayers of the Mass. The church is packed with Hispanics, including scores of scampering children.

What St Catherine's offers most powerfully is a link to home for the congregation. On this particular Sunday a special evening Mass is devoted to a feast day from Guatemala, drawing

a large Central American crowd in holiday mood. As old women in folk costumes dance alongside young toughs with elaborately gelled quiffs, incense swirls and babies cry in pushchairs, California seems a long way away.

But it is the America waiting outside that most worries the Catholic priests charged with keeping up the numbers. Father Ed Benioff is director of an Office of New Evangelisation for the Archdiocese of Los Angeles, founded in 2013 to woo wavering worshippers, especially younger ones. He finds young Latinos steeped in impatient American dreams of individual success. Father Ed is pinning his hopes on the example of Pope Francis, offering the millennials—the age group now in their teens to early 30s—a meaningful life by serving others. But he is only cautiously optimistic. “I couldn't care less about Protestants. That's not the enemy,” he says. “The enemy is secularism.” ■

The dark side

Latino gang members live dangerously

IT IS POSSIBLE to admire Gangs to Grace, a Chicago church ministry working to save Latino gang members from lives of violent crime, and still regret that it needs to exist. Some unhappy trends have combined over the past 30 years to transform many street-corner toughs into footsoldiers for transnational criminal organisations. The National Gang Intelligence Centre (NGIC) estimated the number of gangs in America in 2011 at 33,000, with a total of 1.4m members. It is thought that close to half of them are Hispanics. This blights Latino communities in specific ways.

The headquarters of Gangs to Grace, a church-owned sports hall in the Humboldt Park district of Chicago, is surrounded by the territories of such groups as the Latin Disciples and the Latin Kings. On a recent mid-week evening, four volunteers, all Puerto Rican members of a large Latino Pentecostal church, New Life Covenant, explain their plans. They know of gang members who want to leave the life and hope to intercede with gang leaders to make that happen. It would sound almost naive if the four volunteers were not all former gang members themselves, some with fearsome local reputations and extensive prison records.

Ismael Hernández, 42, recalls a time when dealing in crack cocaine or marijuana could get someone killed, but a certain etiquette was often observed. Back then there were still Puerto Rican gangs, defending their turf against white or black rivals. If those rivals were seen out with their children or their mother, “we'd give you a pass.” Now, he says, heroin is everywhere and men are shot in cars in front of their kids.

Robert Lombardo, a criminologist at Loyola University, was a Chicago policeman

for over 30 years. Street gangs and organised crime used to be separate problems, he recalls. Gangs turned to drug-dealing in 1980s once they had realised that control of the streets could be profitable. By the 1990s places like Humboldt Park were “the Wild West”. The streets look more peaceful now: too much attention is bad for business.

NGIC studies describe street and prison-based gangs forging close links with Mexican and Central American criminal organisations such as Los Zetas and the Sinaloa Cartel, cutting out mid-level wholesalers. Drug-selling gangs are diversifying into prostitution, human trafficking and the smuggling of migrants. Gangs are “rife” in many public schools, the NGIC says. The Gangs to Grace ministry sees these trends in the neighbourhood. Perhaps 80% of pupils in local high schools are in a gang, the volunteers suggest.

In public debate, America often sounds like a citadel under siege. In truth, the border with Mexico has never been so secure. Since 2001 tens of billions of dollars have been thrown at new fences, sensors, drones, radars and guards. But Mexican and Latin American security and intelligence folk are intensely frustrated that their northern neighbour, with 300m guns in circulation, will not spend political capital controlling their flow southwards. The Mexican government estimates that 70% of weapons seized from their country's criminals in recent years were traced back to America.

Net migration from Mexico has been at or near zero since 2010 after years of large inflows. Much of this is to do with more economic opportunities in Mexico and limited demand for low-skilled labour in America. A 2014 spike in child arrivals from



Where Latin Kings rule

Central America was partly the result of criminals adapting to new market conditions. Children from Central America only need smuggling to the border, where they can present themselves to patrol agents. The immigration court system may take years to deal with them.

Back in Chicago the church volunteers see some positive signs, including better relations with police. “Growing up, cops were horrible. Now they are more willing to help,” says Roberto Hernández, director of the Gangs to Grace ministry. He sees crime as part of a broader crisis. “There's guys that can't read. They are on the minimum wage, they look at their pay cheque and they say, I could earn that in 30 minutes,” he says. The head of New Life Covenant Church, Wilfredo De Jesus, acknowledges that some local gang members might make \$3,000 a week dealing drugs. “I tell them they are going to have to take a cut in pay to live right.” But at least they will be more likely to live.

Education

College or bust

Why schooling is critically important

SCHOOL BUSES IN Bernalillo, New Mexico, carry baby seats, and the high school recently opened an in-house crèche. Ideally, town elders would prefer teenage students not to get pregnant in the first place. Alas, unplanned teen pregnancies are more common among Hispanics than in any other group in America. They are most prevalent in rural areas, and strongly associated with childhood poverty.

Small, drab Bernalillo is mostly Latino, poor and surrounded by mile upon mile of desert scrub. In the past three years a total of 39 teenagers have fallen pregnant while at high school, earning them a place in a programme, NM Grads, that helps students with babies complete their education. So far 14 have graduated. Dropping out is bad news in a town where without a diploma “you can’t even get a job in a fast-food restaurant,” says Rebecca Cost, a teacher who runs the NM Grads centre.

Motherhood can easily prove overwhelming for students. Most lack transport, so if they are late for the bus they miss school. Some have boyfriends at the school, who are offered fatherhood classes and prodded to help care for their baby. The programme offers support with schoolwork, lessons in child care, financial literacy classes and free birth control to forestall further pregnancies.

To date no student has chosen an abortion; very few local families would allow it, suggests Ms Cost. Yet traditional values stretch only so far. None of the mothers has married while at the school. After the initial shock, most families “very quickly” welcome the new child, Ms Cost reports. Monique Miramontes, an 18-year-old student with a new daughter, Jaylah, says her parents are not pushing her to marry her boyfriend. They were very disappointed when they first heard about her pregnancy, she concedes, “but as time went on, they got excited.”

Pessimists see places like Bernalillo as symptomatic of the social ills that afflict young Hispanics—and there are certainly reasons for concern. One in five Hispanic girls gives birth while still a teenager, compared with one in six black and one in 11 white girls (see chart 3). As a group, Hispanics suffer the most



Tomorrow's taxpayers

from childhood obesity. Almost one in four of them fails to graduate from high school on time. A legacy of under-education plays a role. A substantial minority of young Latinos, notably Mexican-Americans, have parents who never finished school. The latest National Assessment of Educational Progress (NAEP), a nationwide test, found less than a quarter of young Hispanics proficient in 8th-grade reading or mathematics, compared with around half of all whites and Asians. Optimists point to improvements, helped by a growing array of well-targeted, commonsense programmes, as in Bernalillo. Hispanic teen birth rates have dropped sharply in recent years, narrowing the gap with other groups (though that may be partly due to the economic downturn; recessions typically cause birth rates to fall). For several years now Hispanic high-school drop-out rates have been falling and college enrolment rising.

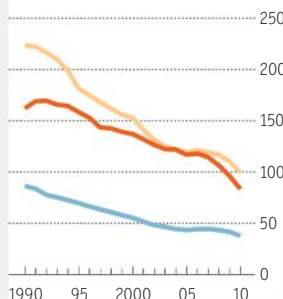
Outsiders sharply disagree about how to close gaps faster. The left sees a community in need of extra resources and support. On the right, Hispanic youth's woes are seen as an indictment of big-government liberalism. In the scornful phrase of one think-tanker, Heather Mac Donald of the Manhattan Institute, the “government social-services sector” has latched onto Hispanics as a “new client base”. Social conservatives want to hear more talk of right and wrong and more campaigns to promote marriage, not hand out free condoms and baby care. Nativists see Hispanic social ills as proof that this culture is alien to American values. They put their trust in border fences and laws to deny undocumented migrants access to jobs and public services—though the Supreme Court ruled in 1982 that all children have a right to attend public schools, regardless of their legal status.

Both pessimists and optimists should have more faith in young Hispanics themselves, who are driving positive changes. A Pew Research study found second- and third-generation Latino youngsters much more likely than their foreign-born peers to say that teen parenthood interfered with achieving life goals. A big reason why Ms Miramontes is in no rush to marry is that her

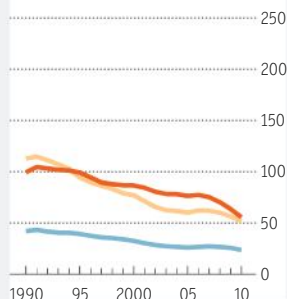
Learning curve

Per 1,000 girls aged 15-19

Pregnancy rate



Birth rate



Sources: Guttmacher Institute

*Non-Hispanic



► parents want her to go to college first. She plans to study nursing. Her boyfriend has moved in with her family and is holding down a full-time job at a bank.

Most Latinos are enrolled in highly segregated schools, with few white classmates. That is regrettable, but it need not spell doom. A generation ago John Overton High School in Nashville was largely white and middle-class. Today it is Tennessee's most diverse school, with 63 nationalities and 70% of students speaking a language other than English at home, crammed into old, overcrowded buildings. Despite that, this impressive school has an 82% graduation rate, just above the national average.

Critical mass

Nashville's Hispanic population has grown 13-fold since 1990, and 28% of the school's students are now Latino, with many undocumented parents, as well as Central Americans who arrived last year during a wave of child immigration. Each year 15 or 20 new teenage students must be taught from first principles because they are not literate in their native tongue. The school essentially had to re-learn how to teach. One pupil in four receives intensive support in English. All get free bus passes, because staff found that undocumented parents without driving licences were afraid of driving children to school.

Having papers can make a big difference to students' prospects of getting a good education. Public universities typically offer subsidised "in-state" tuition to legal local residents. Rules vary, but at least 18 states offer in-state tuition rates to students regardless of immigration status: it is a crucial marker of whether states are grappling with their future competitiveness. Tennessee, a conservative spot, does not currently offer in-state tuition to all. Shuler Pelham, Overton's principal, says that 15- or 16-year-old Latinos tell him they are quitting school to work with fathers or uncles, earning \$10 an hour in the building trade. When he urges them to consider their future, "they say, 'what for? I'm undocumented. I can't go to college'."

Guadalupe Camino, a 17-year-old from Mexico who was given temporary papers thanks to Barack Obama's executive action in 2012, can legally look for a job. "My mom tells me I am going to college," she adds. But she is scared it may be unaffordable. Hispanics take a lot of responsibility from a young age, from driving their families everywhere (because their parents have no licences) to translating. Guadalupe's fellow-pupil Marisol Crescencil notes that Hispanic girls face extra hurdles. Not only does she work six hours a night at a restaurant, she says, but "my parents put a lot of pressure on me to take care of my three brothers."

Alma Carrasco is American by birth, as are three of her four siblings. But after her father was pulled over for ignoring a stop sign, he was ordered to attend a driver's education class, at which his immigration status was checked. Alma's life unravelled. Her father was deported last year and her mother had to join him to make ends meet, taking her youngest children with her. Alma went to live with an aunt so that she could attend college. It is her chance to repay her family's sacrifices. "Now my parents aren't here, I'm pushing myself harder," she says, face crumpling.

For some years, large inflows of foreigners prompted calls to "demagnetise" Tennessee. In 2008, at a peak of nativist panic, 65 anti-immigrant bills were proposed in the Tennessee state legislature. Hardliners enviously pointed to harsh laws in neighbouring states. Then, as Tennessee businesses heard grumbling about labour shortages elsewhere, the Nashville chamber of commerce backed more in-state tuition. "A lot of time was spent saying, let's not make the mistakes of Alabama and Arizona and Georgia," says the chamber's president, Ralph Schulz.

Steven Dickerson, an anaesthetist and Republican state senator for Nashville, thinks there is a good chance that a bill giving undocumented students the same discounted "in-state" college fees as other Tennesseans will pass this year. "We're going to make them producers," the senator tells fellow-conservatives. Population growth seems to have reached a tipping point: when one pupil in four in a town is Hispanic, indifference is no longer an option. ■

Media

Hearts and minds

Fifty-seven million Latinos are a mighty market for the media

TO ANYONE OVER 40, there is something naggingly familiar about the premise of "Mi Corazón es Tuyo" ("My Heart is Yours"), a torrid weeknight drama series on Univision, America's largest Hispanic television network. On some nights it beats the English-language networks, a boss at the network explained recently, proudly citing its 2m viewers in the 18-49 age group popular with advertisers. The Mexican *telenovela* follows a nanny hired by a stern widower to care for his seven children. Hang on, she was asked, that's "The Sound of Music", isn't it? You know that and I know that, the executive conceded, but to its fans it is "Mi Corazón es Tuyo". And in this version, she added, the nanny isn't a nun, she's a stripper.

The tweak in the plot is fitting. Spanish-language TV networks occupy an odd place in Hispanic-American life. They offer viewers a bright-hued, big-haired diet of beauty pageants, celebrity gossip and 120-episode sagas of heartbreak and passion. At the same time their news coverage is often weighty enough to ►►



Listen to this

A rich harvest of fusion pop music

A FEW YEARS ago a bit of social history was made when Drake, a rapper, boasted on a 2011 hit single: “Them Spanish girls love me like I’m Aventura”. The reference may have passed some fans by. Drake was referring to a Latino boy-band, “Aventura”, from the Bronx in New York. The group had enjoyed growing success among Spanish-speakers by infusing the sounds of R&B into *bachata*, a once obscure genre born in rural dance halls and dive bars of the Dominican Republic. Only a few years earlier many young Hispanics might have scowled at *bachata*. Puerto Ricans in the north-east had their own stars. Mexican-Americans followed “regional Mexican” styles like *banda* (lots of trumpets) or the accordion-driven polkas of *norteño*.

Latin musicians who broke into the mainstream charts, such as Ricky Martin, sang in English, often in duets with Anglo “gatekeeper” stars. That still happens. But another, swaggeringly confident, bicultural market is taking shape. After going solo, Aventura’s lead singer, Romeo Santos, has sold out Madison Square Gardens in New York and filled arenas in such Mexican strong-

holds as Los Angeles—a once unthinkable feat for a *bachata* artist of Dominican-Puerto Rican stock. His single “Propuesta Indecente” is unknown to most Anglo-Americans, but has been viewed on YouTube more than 600m times.

Even traditional bands have seen their markets transformed by new migration flows to the Great Plains, Midwest and deep South. “Los Tigres del Norte” are giants of music, having sold 37m albums in a four-decade career. They sing of border crossings and smugglers, romantic betrayals and the heartache of exile.

Their band has played in every state except Montana. Each time the national media discover a new Hispanic community in Arkansas or South Carolina, the band has usually been there three years earlier, says Dwayne Ulloa, a long-time adviser to the group. Los Tigres “knew where their fans were before the census did”, he reckons.

On their tours they see a gulf between fans born in Mexico and their American-raised children. “A lot of the kids don’t think about the border. They don’t know how they

came here,” frets Jorge Hernández, Los Tigres’s lead singer. Yet a changing country offers fresh themes for ballads, including a new song longing for America to elect a Hispanic president. Co-opting a racial slur used for Mexican border-crossers, the ballad concludes that this *gallo del mojado* (wet-back rooster) “would sing very differently”.

DREAMERS—first-generation migrants brought to the country illegally as children—have musical champions, too. The accordionist in “La Santa Cecilia”, a band from Los Angeles, benefited from Barack Obama’s temporary protection from deportation in 2012. The band used undocumented actors in the video to “El Hielo”, their biggest hit, about families divided by immigration raids. The band performs in English and Spanish, hopping between jazz, rural Mexican genres and Colombian *cumbia*. Their cover of the Beatles’ “Strawberry Fields Forever” blends Mexican harps and accordions with a Caribbean beat. An accompanying video turns the song into a homage to migrant strawberry-pickers in California. It is both hard to define and rather lovely.

► put English-language networks to shame. The public-service arms of Univision and its smaller rival, Telemundo, stage healthy-living campaigns, nudge Latino children to study science and host meetings in migrant communities to explain health insurance or voter registration. All in all, half-nanny, half-stripper is a fair metaphor for the part they play.

“Our role is not only to inform but to guide socially,” says Jorge Ramos, a long-time news anchor on Univision. “Nobody can make it to the White House without Hispanic votes.” But Latinos remain underrepresented in Congress and the corridors of power, so Univision “ends up as a counsellor, an advocate”.

There is an oddly wholesome quality to “Sábado Gigante” (“Giant Saturday”), a three-hour weekly variety show hosted by an indefatigable Chilean, Mario Kreutzberger, under the stage name Don Francisco. He launched a Chilean version more than 50 years ago and a parallel American edition in 1986, promoting the idea of a single community united by Spanish and by the hardships suffered by migrants.

The show draws millions of viewers each Saturday, including lots of families watching together. It defies easy description. At one moment Don Francisco might lead the studio audience in singing a detergent jingle before introducing a mariachi band or a slapstick comedy. In a recent episode a grim-faced Latina watched her husband being strapped to a lie detector and questioned about his suspected infidelity by the show’s regular *poligrafista*, a retired white detective with terrible Spanish (watching a gringo cop struggle with the language reliably prompts audience laughter). Fortunately the husband passed the test.

Media folk wonder whether the children and grandchildren of immigrants now driving Latino population growth will

assimilate to the point where they outgrow such specialist networks. Italian- and Greek-Americans have become integrated in that way, with some different holiday traditions and social clubs but no special TV networks or national media. Black Americans, by contrast, have remained a community with sufficiently different values and tastes to warrant separate TV channels, radio stations, recording artists and magazines. In a break from taping his ►►



“Mi Corazón es Tuyo”, stripped of the nun

► variety show, Don Francisco points to geography as a reason why Hispanics will hold on to their culture when earlier migrants did not. Italians are an ocean from their country of origin, he notes. Migrants from Latin America need only “cross a river” to maintain home ties.

Univision's CEO, Randy Falco, insists that his network is not trying to corral its viewers in a separate *barrio*. “I’m a die-hard Republican,” he says. “There is no conspiracy of Univision sitting around trying to make sure viewers are dependent on us.”

A bit of everything

Despite Univision's successes, between 2013 and early 2015 its audience aged 18 to 49 fell by 26%, according to Nielsen, a research firm. Such numbers have prompted changes as Hispanic media bosses try to reassemble a fragmenting audience. Univision has launched new channels and English-language services, including Fusion, a cable news channel aimed at young viewers produced jointly with ABC News. The network is also investing in an array of digital products aimed at young Hispanics, who like to access content on their smartphones.

Other media businesses explicitly target “acculturated” Hispanics, who jump easily between Latino family life and all-American workplaces. A successful example is *Latina* magazine, an English-language, New York-based women's monthly. “They want the fine things that previous immigrant generations came here for. They want those things for themselves, and they want them for their children,” says the magazine's president, Lauren Michaels. “They are reminiscent of baby-boomers of the past.” ■

A multi-hued future

Have faith in the melting-pot

Hispanic-America's rise is a tremendous opportunity

NEAR THE BACK wall of a disused electronics superstore in Antioch, a suburb of Nashville, Tennessee, a Mexican flag on a pole is the only tangible sign that, for four days at least, this echoing space has become an outpost of the Mexican state. Though there is no sign on the door, this is a touring “consulate on wheels”, staffed by Mexican consuls based in Atlanta. The mobile team covers three states in the Deep South, reaching migrants who need to renew documents, register births and so on. On a typical day the mobile team's high-security printers might spit out 200 passports.

On a recent winter morning the quiet hum of consular work is interrupted by angry shouts. “Who's in charge here? What's going on?” asks an old man in a camouflage fleece and hat. A local resident, he has been drawn by the sight of Hispanic families converging on a semi-defunct shopping mall and lining up for appointments with Latino officials. The Mexican consul in charge hurries to intercept him, saying soothingly that the site is providing a “community service”. Eventually the old Tennessee stalks out, his expression thunderous.

The scene is not mystifying to readers of Ronald Brownstein's essay “The Gray and the Brown” and other studies of the demographic gulf opening between America's mostly white old folk and its increasingly multi-hued children. Generational clashes are hard enough to deal with in homogeneous societies; harder still in a country where many youngsters look different,



Family values

and are linked by the public with decades of illegal migration.

A common response is an appeal to cool rationality. Other advanced economies in the West, the argument runs, are already ageing and shrinking and societies are becoming timid, peevish and introspective. America is lucky to have millions of energetic young people filling its schools with kids who will eventually pay taxes and fund pensions and health care for the old. This makes a lot of sense. Mayors have been saying it for some time, having seen cities with declining populations entering a spiral of falling tax revenues, half-empty schools and dying neighbourhoods. Santa Fe, the pretty New Mexican city co-founded by the Salazar family, has managed to attract lots of affluent baby-boomers with an arty bent. But more than half the workforce is over 55, says its mayor, Javier Gonzalez. One of his winning campaign slogans was: “We have to dare to grow young.”

Yet in politics, rational arguments are not always enough. Happily, there is also a more emotional reason for anxious baby-boomers to welcome the rise of Hispanic-Americans. If older Americans are dismayed by how society is changing as traditional families grow weaker and neighbourhood bonds wither, then Latinos are their cultural allies. Arnulfo Olazaran Valladares, a carpenter waiting to renew a passport at Antioch's consulate on wheels, has lived in Nashville since 1995. His eldest son is studying medicine in eastern Tennessee, thanks to a scholarship. Another son is an American citizen, which will allow Mr Valladares and his wife to apply for the deportation relief announced by Mr Obama in November last year but now mired in Republican-initiated lawsuits. Having papers would help the couple “drive without fear, have a better-paid job and have health insurance”, they say. These are hardly subversive ambitions.

There is a lot that is not subversive about the Hispanic immigration wave that lasted from the 1970s to the financial crash in 2008—if critics can look past the original sin committed by those who arrived unlawfully (or in many cases arrived on legal visas, then overstayed). Unbidden, Hispanics often talk about how old-fashioned they feel in America, with their strong family ties, their churchgoing habits and (less happily) the dinner-table rows with their American-educated children. Like other immigrants, they talk a lot about the American Dream. By that they mean the baby-boomers' hopes of home-ownership, a college education and upward mobility. Mr Falco, the staunchly Republican CEO of the Univision TV network, wishes that older, con- ►►

► servative Americans would see that Hispanics are kindred spirits. Polls back him up. Hispanics are more likely than the average American to say that getting a college education is integral to the American dream, and more likely to agree with a quintessential statement of American optimism, that “most people who want to get ahead can make it if they’re willing to work hard.”

The bad old days

Immigration sceptics are right that deliberate policy changes, pushed by Democrats under President Lyndon Johnson, led directly to an unprecedented increase in Hispanic immigration from 1965 onwards. To simplify, a decades-old *bracero* scheme that admitted Mexican men as temporary labourers, was scrapped in favour of immigration laws that encouraged migrants to make new lives in America and to bring their families. The new laws triggered a cascade of unintended consequences, with millions of families arriving to settle. Meanwhile low-income workers, finding legal paths closed to them, came anyway. Including illegal immigrants, perhaps 30m new residents arrived over 40 years, of whom a third were Mexicans.

All this appals many conservatives, who would like to see the *bracero* programme brought back and family migration severely curbed. But the *bracero* scheme was rife with bullying abuses and made no attempt to encourage assimilation. The immigrant laws scrapped in 1965 were equally hard to defend, with quotas dating back to the 1920s that discriminated against Jews and migrants from poor parts of Europe, Asia and Africa.

In 1958, before becoming president, John F. Kennedy wrote “A Nation of Immigrants”, a plea for an immigration debate worthy of America’s confident, welcoming traditions. Kennedy noted that the Declaration of Independence itself includes a complaint that King George III was restricting immigration. The British monarch would not allow “the naturalisation of foreigners” or “encourage their migrations” to America.

José Gomez, the Roman Catholic Archbishop of Los Angeles, wishes that Kennedy’s treatise were better known to-



Never before in American history has such a large group of new arrivals lived so close to their ancestral homelands

day. He has just one, mild, complaint: that the book’s account of American history begins in 1607, with Englishmen building a settlement in Virginia, and without a word about the Spaniards who first reached Florida in the 1520s. The archbishop, himself a naturalised immigrant born in Mexico, does not deny that Anglo-Protestant ideas informed America’s founding. But he ventures that 21st-century America sometimes feels a little too individualistic, to the point of loneliness, notably for the old. “The Anglo-Saxon mentality and the Latino, if we put [them] together and make it work, it is just the ideal combination,” he suggests.

Hispanics can be expected to maintain elements of their culture longer than migrants of previous centuries. Never before in American history has such a large group of new arrivals lived so close to their ancestral homelands, bound by proximity, language, a single time zone, cheap telecommunications and easy air travel. But Americans should have more confidence in their melting pot and its ability to soften once sharp distinctions between immigrant groups. The census projection that the Hispan-

ic population will double to 100m by mid-century does not mean that today’s community will simply be cloned to make it twice as large. The power of the American market to reshape tastes and habits and break down barriers can already be seen in fields ranging from Christian worship to pop music. If current trends continue, many Latinos will marry out.

Those who welcome Hispanics must do so with their eyes open. The community suffers many ills. But that in part reflects its socio-economic situation. In many cities, Latinos are the backbone of the working class. With luck and goodwill, education and economic opportunity, they can be helped to avoid becoming an underclass. More of them will enter the middle classes. Fears that Hispanics are doomed by culture and numbers to import the troubles of their home countries are overblown, just as they were when earlier waves of Italian and Irish migrants caused alarm. People do not leave their countries to reproduce the pathologies they left behind.

America is hardly alone among rich countries in having uneasy debates about immigration. But it does seem uniquely lucky. At a time when many western European countries as well as Japan are greying and ageing and fretting about where to find future workers, America is receiving a giant dose of youth and energy from close neighbours.

So far, Hispanic voters have hardly made their presence felt.

But they will, and in a democracy suffering from excessive partisanship, many of them look like swing voters. Rigid ideology has often hurt Hispanics, as hardline conservatives denounce any immigration reform that could be called an “amnesty”, while left-wingers demand a blanket right

of citizenship for all those without papers. In truth, many Hispanics would settle for legal residency for the first generation of undocumented arrivals. The stubbornness of activists holding out for full citizenship probably derailed earlier bipartisan attempts at comprehensive immigration reform.

Matt Barreto, of the pollsters Latino Decisions, explains that the Hispanic electorate is well-balanced. It is more religious than the rest of the country, he concedes, but dislikes religious leaders weighing in on politics from the pulpit. It admires hard work but reveres the solidarity provided by a community. It supports “pull yourself up by your bootstraps, but not as an organising principle for politics”, he concludes.

America’s white majority is turning into a minority, and tens of millions of American-born Hispanics will play a big part in that. The hope is that Latinos will enter, enrich and rejuvenate the American mainstream. Whatever happens, the mainstream itself will look very different. Americans must make this experiment succeed. There are many grounds for optimism. ■



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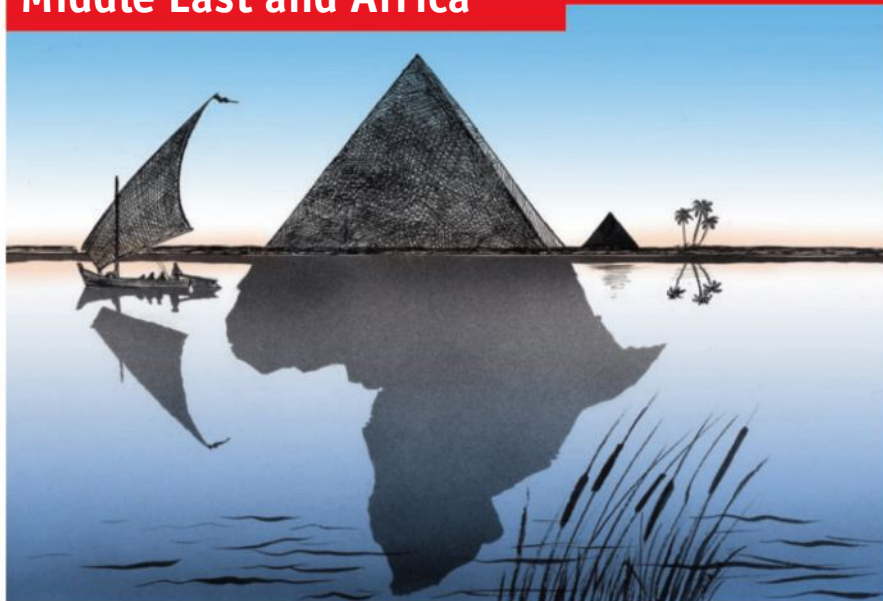
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Egypt and Africa

Looking up the Nile

CAIRO

After decades of ignoring Africa, Egypt is re-engaging with the continent

THREE characteristics define Egypt, claimed Gamal Abdel Nasser, its charismatic former president. The country is Arab and Muslim, to be sure. But the third feature, Nasser implied, is not as well recognised. "Can we possibly ignore the fact that there is an African continent that fate decreed us to be part of?" he asked. Nasser embraced Africa, fostering leaders who sought to emulate his Egyptian revolution.

More recently, though, Egypt has withdrawn from the continent. The relationship turned sour when Hosni Mubarak, Egypt's then president, was almost assassinated in Ethiopia in 1995. For the next 16 years Mr Mubarak shunned African summits. When he was finally booted out of office in 2011, the country's Africa policy involved little more than quarrelling over water. But after years of upheaval, Egypt is beginning to re-engage with the continent.

The renewed attention is a matter of pride and self-interest. Uncomfortable with its decline on the world stage, Egypt aspires to reclaim the status that it had under Nasser. In the Middle East, where it has been eclipsed by wealthier neighbours, this is unrealistic. But it boasts the most powerful army and third-largest economy in Africa, where it has much to gain, starting with business.

To get a sense of how much Egypt has withdrawn from Africa, consider that its trade on the continent accounts for less than 3% of its total, according to Vinaye Ancharaz of the Swiss-based International

Centre for Trade and Sustainable Development. Apart from its neighbour Libya, no African country is among Egypt's top 15 export markets (see chart). Nigeria, the continent's largest economy, buys just 0.3% of what Egypt sells abroad, whereas it purchases more from 40 other countries, including such faraway minnows as Andorra and Barbados.

Poor infrastructure and logistics, and a tendency for African countries to stick with historical trade partners, explain some of this. But Leila Mokaddem of the African Development Bank notes that the situation has not changed in the past decade. Whereas Egypt's trade has grown, the proportion going to Africa has hardly budged. "There is a lot of room for im-

provement," she says, not least because Egypt sells things that Africans want, such as pharmaceuticals, and the cement and steel needed to build infrastructure.

Abdel Fattah al-Sisi, Egypt's president, is focused on attracting investment, but his embrace of the continent has been well received by business. "We can see that the government wants to encourage collaboration with Africa," says Ahmed Heikal of Qalaa Holdings, an Egyptian firm that invests in Africa. A much-touted investment conference in the resort city of Sharm el-Sheikh on March 13th-15th will feature ten African heads of state. In May 26 African countries, including Egypt, are expected to launch a new free-trade area in Cairo. Tariffs will remain unreasonably high and implementation will be a nightmare, but it is a start.

The progress is surprising considering the early tensions in Mr Sisi's relations with Africa. As punishment for his overthrow of Muhammad Morsi, Egypt's first democratically elected president, in 2013, the African Union suspended Egypt for almost a year. This was not just a sign of disrespect, in Mr Sisi's view, but a failure of African leaders to recognise the threat of the Muslim Brotherhood, of which Mr Morsi was a member. Since returning to the fold, Mr Sisi has tried to convince his African colleagues of the dangers of political Islam.

Egypt's involvement in Libya's civil war is a reflection of Mr Sisi's ideology. Along with the United Arab Emirates (UAE), Egypt has backed the somewhat secular eastern government, while Qatar and Turkey support its Islamist-aligned rival in the west. The proxy war is part of a broader struggle in the region between autocrats and Islamists, whom Mr Sisi often misguidedly conflates with terrorists. More welcome has been his call for a "revolution" in Islam aimed at undermining African jihadist groups.

Out of Africa

Egypt's biggest trade partners, 2013, \$bn



Source: IMF

Libya is now in the spotlight, but Egypt's neighbours to the south have long caused it more grief because of disputes over their use of the Nile, its primary water source. Egypt sits downstream, so has little control over the river's flow. Nevertheless, it claims most of the water running into its dam at Aswan, based on a treaty it signed with Sudan in 1959. A separate treaty, signed with the British 30 years earlier, ostensibly allows it to block any big upstream projects. When Ethiopia, the source of most of the Nile's water, began building an enormous hydroelectric dam in 2011, there was talk of war.

The old treaties were clearly unfair, and the dam's significance was overstated, but the dispute nevertheless poisoned Egypt's relations with its neighbours. Most countries that share the Nile have signed a new agreement. Egypt is not among them. But whereas Mr Mubarak frothed at African leaders, Mr Sisi has lowered tensions. Last week he won a preliminary deal with Ethiopia on sharing Nile water.

The import of that deal will depend on the specifics, such as how much water Egypt receives, how fast the dam fills and whether the electricity is shared. But the process by which Mr Sisi secured the agreement is typical of his engagement with Africa. He has been flexible and pragmatic. Most important, he has been there, at African summits and engaged with other leaders. That may not raise his profile to the level of Nasser's, but it may re-establish Egypt's place on the continent. ■

Al-Qaeda in Syria

With the rebels or against them

BAGHDAD

The local franchise has a choice to make

SYRIA'S al-Qaeda franchise, Jabhat al-Nusra, has long occupied an awkward middle ground in the country. It is accepted as part of a wider rebellion against the rule of Bashar Assad, the president, despite its links to al-Qaeda. That is because most of its members are Syrian, unlike its jihadist rival, Islamic State (IS), which has an Iraqi leadership and foot soldiers from a variety of countries. And it has mainly fought against Mr Assad, rather than trying to control territory, like IS. Yet it has been overshadowed by IS, which attracts more recruits and is richer. In turn it has started snatching ground from less devout rebels. On March 1st Harakat Hazm, an American-backed rebel group, said it was disbanding after clashes with Nusra men. It is the second such group to do so since Nusra started taking over villages and bases.



The enemy of my enemy is my ...

Such clashes may yet escalate into open warfare between nationalist rebel groups and Jabhat al-Nusra. (A similar conflict broke out between them and IS in January 2014.) Were that to happen, however, it would further splinter an already fractious and ever more Islamist alliance of groups fighting the Syrian regime. So reports that Qatar is trying to bolster the fight against Mr Assad by persuading Jabhat al-Nusra to break its affiliation with al-Qaeda do not seem far-fetched. Qatar is said to be offering cash and weapons if it joins a Gulf-backed rebel front. That could bolster the rebels and make America less nervous about funding those who co-operate with Jabhat al-Nusra, although the group would have to embark on more than a superficial makeover to win greater trust.

Some among Nusra's ranks would certainly like to cut ties with al-Qaeda, whose star has fallen since it appeared. Many of its fighters feel little loyalty to its leader, Ayman Zawahiri, and his brand of jihad. They joined Jabhat al-Nusra mainly because it was a strong alternative to IS.

But Jabhat al-Nusra's leaders, including its head, Abu Muhammad al-Jolani, seem to have little wish to cut the link. After America started bombing IS last year, Mr al-Jolani discussed joining ranks with IS to counter what he called a "war on Islam", although the increasing brutality of IS has reduced the chances of rapprochement between the two groups. IS is originally spawned Nusra, but the two groups fell out later when IS tried to force a merger.

For now Jabhat al-Nusra seems bent on hegemony in Syria's rebel-held north. Last year it floated the idea of an emirate there. If outside backers fail to persuade it to disavow al-Qaeda and to co-operate with less extreme forces, it may end up making war on other rebels, much as IS did. ■

Morocco

The slow pace of change

RABAT

Morocco has been stable, if stodgy, in a wobbly region

MOHAMED V AVENUE in central Rabat is lined with palm trees and open-air cafés. At the top of the street, visitors trickle into Morocco's recently inaugurated museum of modern art. It is one of many projects—including an opera house designed by Zaha Hadid and a high-speed train between Casablanca and Tangier—meant to advertise this quiet kingdom's steady progress. As countries across the Middle East slide into deeper chaos, Morocco seems to be weathering the Arab uprisings, neither imploding nor imposing harsh repression.

Yet in the museum's basement, the work of young Moroccan artists hints at the country's many unsolved problems, and the fragility of its social peace. One artist has reproduced school textbooks as blocks of stone—a comment on the rigidity of an educational system that eats up a quarter of the government's budget and yet, after decades of supposed reforms, is still ranked as one of the worst in the region. Another artist pokes fun at the golf courses and luxury property developments that are mushrooming across a country that suffers deep inequality.

In 2011, in response to a wave of protests across the region, King Mohamed VI passed a new constitution and promised reforms. He also co-opted the main Islamist party into government. Yet despite his lofty promises, most of the laws meant to give life to the new constitution are yet to be written. The press is muzzled and local human-rights groups are frequently harassed. The dark turn that the Arab uprisings have taken has dampened calls for change and any criticism of the king. The people do, however, have grievances over a lack of opportunities for the young and persistent inequality. The economy is expected to grow by 4.6% in 2015. Yet in this country of 33m, only 21,000 new jobs were created last year. Unemployment is, surprisingly, highest among young, urban, educated folk. One of the few things that punctures the picturesque calm of Avenue Mohamed V are protests by unemployed university graduates demanding government posts.

The gulf between the cities and the countryside is staggering. Tens of thousands of vulnerable women toil for low wages as seasonal workers picking fruit to be exported to Europe, or as under-aged wives who are de facto servants in their husbands' homes. ►►



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► The king himself has said the country cannot have “a two-speed system in which ...the poor are excluded from the development process.” But to create more jobs, analysts say that Morocco must fight corruption, open up its economy and break monopolies. The question is whether the palace can foster fairness and openness without giving up some of its vast power and privileges.

So far Morocco has been lucky. Low oil prices have made it easier to reduce fuel subsidies. Worsening regional problems, such as terrorism and illegal immigration, have given the kingdom greater leverage with Europe, which needs its co-operation on precisely these issues. It is under little pressure, whether from foreign allies or citizens, to pursue real change. But that does not mean it shouldn't. ■

Devolution in Mozambique

Murder in Maputo

A lawyer may have been killed for legitimising devolution

GILLES CISTAC had just finished his breakfast at a popular café in central Maputo on March 3rd when unidentified assailants in a passing car shot him dead. An expert in constitutional law, Mr Cistac had recently said there was a legal basis to demands from the main opposition party for the devolution of political power. His assassination has exposed a fierce power struggle within Frelimo, the ruling party, between the former president, who remains head of the party, and his successor. It also reveals a tussle between Frelimo and the opposition over the proceeds of new gas reserves in the opposition-supporting north.

Frelimo has kept a tight grip on power in the capital ever since the country's independence in 1975. Yet it has struggled to mend relations with Renamo, a former guerrilla group against which it waged a long and bloody civil war that ended only in 1992. Conflict broke out again two years ago when Renamo's firebrand leader, Afonso Dhlakama, returned to the forested Gorongosa hills and took up arms against the government, waging a low-level insurgency. He emerged from the bush to sign a peace accord a month before a general election in October last year, but then cried foul, alleging after the poll was won by Frelimo that it had been rigged.

After taking just 37% of the national vote, but winning majorities in the centre and north, Renamo has pressed for devolution of power to regional governments. That would give it more say in provinces

Africa and the internet

What's in a domain?

BAMAKO

Tapping an unlikely resource in Mali

MALI has long had links with the wider world. Tripoli and Gao were once connected by chariot. Trade routes shuttled scholars and goods from Timbuktu to the Mediterranean and beyond. The same routes ferry guns, drugs, people and pasta today. Now Mali's government is finding new links on the web.

Disappointed that its national top-level domain address, “.ml”, the national equivalent of “.com” or “.co.uk”, had just a few hundred users in 2012, Mali's webmasters asked for help from Freenom, a Dutch internet firm. It beefed up the country's web infrastructure and then offered free registration of domain names. Foreigners registered by the thousands. Surprisingly Malaysians represented a small but significant portion, perhaps because of similarities with their national domain “.my”.

Today there are 340,000 active .ml domains, and 100 new ones register

every hour. Domains are not quite natural resources, but they can be gold mines. Although most of Mali's domain registrations are free, about 1% of users agree to pay \$9.95 a year to own an address. All sites must be renewed yearly, so those that are not (about 20%) are “parked”, redirecting clicks to advertising sites that generate a trickle of revenue. Freenom keeps some and Mali gets the rest. Popular domain names such as Malaysia.ml are sold at a premium.

Mali's “.ml” is one of the fastest growing domain names in the region. Nigeria, the largest economy in Africa, sputters at just 60,000 “.ng” addresses, perhaps because a new “.ng” costs more than \$100 to register. Buying a “.sn” in Senegal costs a bit less. Both require paperwork. Perhaps Ethiopia, one of the more expensive domains on the continent, should take note. Its domain, “.et”, could prove attractive to legions of science-fiction fans.

where it won majorities. It would also give it a bigger share of gas revenues, which the party argues should be shared out more equitably to benefit all Mozambicans. Mr Cistac's arguments that devolution is legal played a large part in Renamo's bid.

A naturalised Mozambican of French origin, Mr Cistac had worked in Mozambique for 22 years. A law professor at Mozambique's University of Eduardo Mondlane, he was an adviser to several government ministries but also an outspo-

ken critic of the ruling party. His foray into the debate over decentralisation drew fire from Frelimo officials and pro-government media. A week before his death Mr Cistac filed a complaint with the attorney-general after receiving threats on Facebook from a user under the alias of “Calado Calachnikov”—Portuguese for “silent Kalashnikov”.

The devolution debate has sent the ruling party into a spin. By talking about giving power to Renamo, President Filipe Nyusi has irked his predecessor, Armando Guebuza, who accuses the president of splitting the country. Mr Guebuza stepped down in January after two terms but has retained his sway over Frelimo as the party's president.

Hundreds of human-rights activists and students marched in Maputo on March 7th, demanding justice for the lawyer's murder. But some say there is little political will to find the culprits. The assassination of Mr Cistac is the most prominent since that of Carlos Cardoso, an investigative journalist whose exposés of pervasive corruption in the upper echelons of Frelimo led to his death in 2000.

Mr Cistac's murder is unlikely to douse Renamo's enthusiasm for more autonomy. But there seems little hope that it will be granted by Mr Nyusi. “If Frelimo radicals have decided to kill him, thinking that it would demoralise Dhlakama and Renamo, they are mistaken,” Mr Dhlakama said on television last week. With Renamo fighters still in the bush, the ruling party should heed his warning. ■



Killed for an idea



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French politics

Operation detox

DOULLENS, FRANCE

As the National Front surges in the polls, its leader strives to show a reassuring face

"I SAW her!" squeals a teenaged girl. "I got a photo!" shrieks her friend. As Marine Le Pen, leader of the National Front (FN), steps from her dark-windowed car on to the streets of this quiet rural town in the Picardy plains, she is treated as a minor rock star. In an arresting change from the past, nobody seems embarrassed to show enthusiasm for a populist, far-right party or its carefully groomed leader.

Retired couples and mothers with pushchairs shove forward; smartphones are thrust into the air to capture the moment. Even before Ms Le Pen arrives on a bright market day, a crowd gathers on the pavement in the hope of catching a glimpse of her. "Perhaps she'll be the one to save France," says a middle-aged woman with chilling sincerity.

Ms Le Pen's celebrity welcome in the tiny northern French town of Doullens is a mark of how far she has transformed a once-toxic fringe movement, stained by neo-Nazi links and anti-Semitism, into an almost respectable party aspiring to govern. Five years ago voters who felt drawn to her father, Jean-Marie, a gruff former paratrooper who founded the party in 1972, still kept their approval half-hidden until election day. Today, they display no such reserve towards his daughter.

On the campaign trail ahead of departmental elections later this month, the crowd in the Doullens market is thick and Ms Le Pen's progress through it snail-like.

After dropping in on Les Deux Ailes hunting shop, its rifles displayed in the window like fine patisseries, Ms Le Pen stops in the street market for selfies, kisses children and stoops to greet those in wheelchairs. This is a politician who is on the up, and knows it. "We are on a path towards...power!" she declares, with a broad grin.

Polls suggest that the FN will come top in the first round of voting in the elections on March 22nd, grabbing at least 30% of the vote. This would beat its previous best score of 25%, in last year's elections for the European Parliament. The Front may not go on to win many local assemblies, as voters from centre-left and centre-right will gang up against it in the second round. But to the FN this is not a concern. It is fielding

7,648 candidates, in 95% of constituencies, up from a third in 2011, as part of a longer game: to secure hundreds of seats, even if in opposition, in order to build up an army of elected officials across the country who can help prepare Ms Le Pen for the presidential election in 2017.

Until recently, it had been unthinkable even to consider her possible victory in the contest that will take place two years from now. It was remarkable enough to note that polls were giving Ms Le Pen a good chance of making it into the second round, by eliminating one or other of the mainstream presidential candidates from the left or the right. That would be a replay of her father's feat in 2002, when he evicted the Socialist candidate, Lionel Jospin, going on to lose to Jacques Chirac, of the Gaullist right, in the run-off. Now, none other than Manuel Valls, the Socialist prime minister, has urged the French to wake up to the possibility of her victory. "I am afraid for my country," he declared darkly on French radio on March 8th, warning voters that she could win the presidency in 2017.

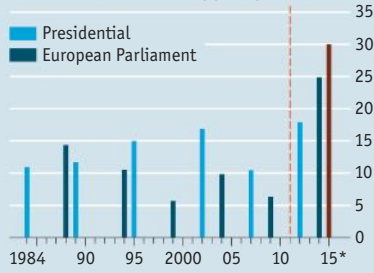
The prospect of a President Le Pen remains remote. Almost all polls suggest she would be beaten in the second round. Yet her emergence as a credible threat to mainstream politicians is upsetting the old French political order as she treads a confident path from protest to power. It may be an exaggeration to claim, as she does on electoral posters, that the FN is "the first party of France". But it is true that the old domination by the two main parties of left and right has given way to a three-party system, in which she increasingly dictates the terms of debate. It was telling that Mr Valls devoted most of his radio interview to attacking her. Nicolas Sarkozy, the opposition leader, often does the same.

How far has Ms Le Pen really changed ►►

Ever upward

Front National's share of votes in elections, %

MARINE LE PEN TAKES OVER AS LEADER



Sources: France Politique; Ifop
 *Intended vote in departmental elections

▶ the National Front? The short answer is that disinfection is a work in progress. Certainly, the jack-booted imagery and obsession with France's defeat in a colonial war in Algeria, which were hallmarks of her father's style, have gone. She has called the Holocaust the "peak of barbarism"; that makes a change from her father, who notoriously described the Nazi gas-chambers as a "point of detail" in the history of the second world war. In many other European countries, anti-system parties of left and right have achieved spectacular success by stressing how different they are from the old order. By contrast, Ms Le Pen's immediate priority is to portray herself as

respectable rather than outrageous. Her two parliamentary deputies, one of whom is her niece Marion Maréchal-Le Pen, attend debates and sit dutifully on committees. She has had 12 mayors running town halls since 2014, doing such humdrum jobs as drawing up budgets, attending ceremonies and cutting ribbons.

On paper, her manifesto is more often daft than morally objectionable. Ms Le Pen promises to increase import tax, restore the franc, raise wages and pensions, and lower the retirement age to 60. She wants to curb drastically, but not stop, immigration, as well as to renegotiate European treaties in order to restore border controls. The nati-

er stuff includes a desire to build closer ties to Vladimir Putin's Russia; to make sure the French state serves its own citizens better than foreigners; and to bring back the death penalty.

The party cannot shed its dark history altogether. That is one reason why the UK Independence Party, the British standard-bearer of anti-European populism, has refused to sit in the same group as the FN in the European Parliament. Xenophobic insinuations, hinting at things not openly said, still have a place in the party's appeal and style.

Ms Le Pen is careful, for instance, to denounce Islamism—the aspiration to wield power in the name of Islam, and in defiance of French secularism—not the Muslim faith as such. But voters can read this as code if they choose. She remains a magnet for unsavoury types. Last month a candidate in the south-west was struck off the party list for posting anti-Semitic comments on Facebook. Periodically, Ms Le Pen fires such offenders for racism. But she does not always pick the right friends. Her party took a loan of €9m (\$10m) from a Russian bank with links to the Kremlin. In a separate case, the European Parliament has called for an anti-fraud investigation into the possible use of public parliamentary staff by the FN.

The problem for mainstream parties is that such mini-scandals do not appear to dent Ms Le Pen's popularity. At a time of continuing high unemployment and low growth, the Front's deft use of the politics of victimisation, combined with widespread disillusion with traditional parties and the unkept promises of the elite, counts more. "The FN vote is a sanction of the political class," says Christelle Hiver, deputy mayor of Doullens, where unemployment at 20% is twice the national average and immigration close to zero. "Politics has been devalued, and that makes people turn to the extremes." Ms Le Pen has increasingly drawn voters from the left, especially in formerly Communist-held towns in the industrial north. She has been improving her score among women and (in line with a Europe-wide trend, see box) among the young. At last year's European election, hers was the most popular party among working-class voters.

A quiet but deep disappointment with the present state of things can be felt in Doullens, as stallholders pack up unsold flowers and baguettes at the end of market day. "We need someone like her," says one retired man. "She stands up for us." The more that the left and right obsess about the National Front, the better it seems to do. For her part, Ms Le Pen laughs at the "collective hysteria" about her, the small operator taking on the establishment. "While they are fighting against the FN," declares Ms Le Pen with glee, "we are fighting for the French." ■

Young Eurosceptics

Budding toughies

Will tomorrow belong to them?

THINK of a right-wing Eurosceptic and the image that comes to mind is of an ageing, grumpily xenophobic man. To put it mildly, that is not the whole story.

Take Golden Dawn, an ultra-right party in Greece. In January's election, its showing was strongest among the 18-24 group, with 8.4% of that cohort. A fifth of Hungarians aged 18 to 33 would now back the far-right Jobbik party. Alternative for Germany (AfD), another populist party, does best among those under 30. Among Dutch people under 35 who plan to vote, 24% would choose the Eurosceptic Freedom (PVV) party. France's young prefer Marine Le Pen (see main article) to President François Hollande.

Why do such parties attract the normally open-minded young? Maybe because recession hits them hardest. Net employment in the euro area fell by 6m between 2008 and 2013; half of those affected were under 25. In southern Europe, youth unemployment is appallingly high. And those who do work get ill-paid, often part-time jobs.

The young are easily disgruntled with

established institutions, like the European Union. Those born after 1980 are slightly more likely than the preceding generation to link the EU with waste and bureaucracy. Young people prefer grassroots initiatives, says Hilary Pilkington of Myplace, an EU-financed, youth-linked research project; populist parties seem to offer this. Golden Dawn is highly visible on the street, whether giving migrants a hard time or doling out food to natives.

Eurosceptic parties work hard to woo youngsters. Their youth wings hold debates, summer camps and music festivals. Jobbik has created a subculture, with fashion labels and patriotic rock bands. Germany's National Democratic Party has handed out thousands of propaganda CDs in schoolyards.

Far-right parties have also built up their presence on the teen-infested internet. Geert Wilders, the PVV leader, has more Twitter followers than Mark Rutte, his country's prime minister. The AfD gets more Facebook "likes" than Germany's ruling Christian Democrats. If this is Europe's future, it's worrying.

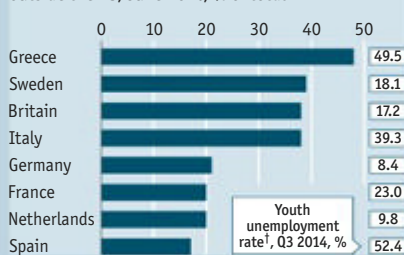
Kicking the system

15-24 year-old European respondents:
who trust in the EU*, % of total



Sources: Eurobarometer; Eurostat

agreeing that their country would fare better outside the EU, June 2014, % of total



*Countries equally weighted †15-24 year olds



Russia and Chechnya

The Caucasian connection

MOSCOW

A pact between Vladimir Putin and his Chechen ally suddenly looks fragile

THE people who killed Boris Nemtsov, a liberal politician, on February 27th, did not expect to be arrested. That was clear from their impudence.

Having shot Mr Nemtsov in the back, in the heart of Moscow, they did not cross the river to leave the city centre. Instead, they circled the Kremlin, passed the Duma, Russia's parliament, and turned into a well-lit, half-pedestrian street. They did not even burn their getaway car.

Such brazen behaviour raised suspicions that the killers might be Chechen hitmen, of the sort who work for Ramzan Kadyrov, the president of Chechnya, who has hitherto been a big friend of Russia's president, Vladimir Putin. Now some are wondering whether the seemingly solid pact between Mr Putin and Mr Kadyrov (pictured above) may have become too costly for the Russian leader.

An ex-warlord, Mr Kadyrov was plucked out of obscurity by the Russian president and put in charge of the once mutinous Caucasian republic, succeeding his father who had been assassinated. Mr Putin has let Mr Kadyrov ignore Russian laws and settle scores freely. In the past decade, Chechnya has virtually become a separate Islamic state under Mr Kadyrov's rule. He has his own 20,000-strong army, his own (informal) tax system and his own religious laws.

As Russia's strongest regional leader, Mr Kadyrov extends his influence right across

the country. His security men have special status in Moscow. After the Federal Security Service (FSB), the alma mater of Mr Putin, arrested a group of Mr Kadyrov's men over kidnappings, torture and extortion in the capital, the suspects walked free.

Several nasty murders have highlighted Chechen impunity. When Anna Politkovskaya, a brave reporter, was killed in 2006, the main suspect went to Chechnya and lived near Mr Kadyrov. He was jailed for life after a probe by the dead woman's colleagues, but those who ordered the killing were not named. After the death of Natalia Estemirova, a human-rights activist slain in Chechnya after threats from Mr Kadyrov, nobody was held responsible.

One of Mr Kadyrov's old rivals, Ruslan Yamadaev, was shot dead in rush-hour traffic, next to a public building in Moscow. His brother, who had led a pro-Russian unit against Georgia, was assassinated in Dubai, where police issued a warrant for Adam Delimkhanov, Mr Kadyrov's right-hand man and relative. In 2009 Mr Kadyrov's ex-security guard, who had spoken of torture and executions carried out by his old bosses, was killed in Vienna.

Few were surprised on March 8th when Alexander Bortnikov, head of the FSB, announced that five men had been detained over the murder of Mr Nemtsov, including Zaur Dadaev, an ex-commander of the "North battalion", made up of Mr Kadyrov's irregular forces. Indeed, the only per-

son who seemed shocked was Mr Kadyrov, who has made odd statements since the Nemtsov killing. On the day of the murder, he wrote on his Instagram account that Western spooks were to blame. After Mr Dadaev's arrest, he spoke out again: "I knew Zaur as a true patriot...he is devoted to Russia and was always ready to give his life for it. Even if the court confirms his guilt...he could not have taken a step against Russia." (Soon after, Mr Dadaev retracted his confession.)

In his Instagram statement, Mr Kadyrov hinted that Mr Nemtsov might have been killed for condemning the terrorist attack on the French weekly *Charlie Hebdo*. The Chechen leader's own reaction to the events in Paris was different: he led a vast rally in his capital Grozny against *Charlie Hebdo*, not the killing of its staff.

The Russian security services claim that Mr Dadaev and his men planned and carried out Mr Nemtsov's murder. That raises many questions. Few observers believe that anything involving Chechen fighters occurs without Mr Kadyrov's and Mr Delimkhanov's knowledge. But the same probably goes for the FSB, whose agents trailed Mr Nemtsov. As ever in Russia there are more theories than facts. Some wonder whether the FSB has exploited the killing to settle scores with Mr Kadyrov.

There is no love lost between senior Russian military and security officers and the Kadyrov camp. Russian officers in Chechnya resent the political authority and conspicuous wealth of Chechens who were once their foes. In 2010 Russian forces accused the North battalion of betraying them in a clash with rebels. While swearing loyalty to Mr Putin, at home Mr Kadyrov boasts of having won independence not by fighting Moscow but by milking it.

Mr Kadyrov's reaction to the arrest of Mr Dadaev suggests a hard struggle between forces previously united around Mr Putin: the FSB and his Chechen friends. As *Novaya Gazeta*, a liberal paper, wrote: "Two pillars of Kremlin support bashed their heads and are now moving in the opposite directions, forcing the Kremlin to choose which is a true patriot of Russia."

The stakes are high; Mr Putin is trying to preserve at least the appearance of stability, and this week went ahead with a planned award to Mr Kadyrov. Should the Chechen leader lose Kremlin support, he and his male progeny may be at risk because he has many "blood enemies". Mr Putin also needs Mr Kadyrov to keep order in Chechnya.

But the bond is unstable. "The contract between Kadyrov and Putin—money in exchange for loyalty—is coming to an end. Where will Mr Kadyrov's 20,000 men go? What will they demand? How will they act? When will they come to Moscow?" Those rhetorical questions were posed by Mr Nemtsov shortly before his death. ■

Ukraine's bail-out

When relief looks barely enough

KIEV

A loan provides sticking-plaster for a stricken, war-weary economy

THERE was relief in Ukraine's corridors of power on March 11th when the International Monetary Fund (IMF) approved its long-awaited bail-out for Ukraine. The fund's promised loan amounts to \$17.5 billion over four years. Other donors have pledged several billion more. The first tranche has already brought in a badly needed \$5 billion, nearly doubling the country's reserves, which had dropped to just \$5.6 billion.

Ukraine hopes to pick up another \$15 billion of savings from private creditors in debt restructuring talks due to begin next week. But even that may not be anywhere near the amount that is needed by Ukraine's crumbling economy.

Confidence is feeble, with inflation soaring, GDP contracting, and tanks still rumbling in the Donbas despite the latest ceasefire. The government's worst-case projections see GDP sagging by nearly 12% this year and inflation exceeding 40%. Capital controls and an increase in the central bank's interest rate from 19.5% to 30% have helped to stabilise the hryvnia, Ukraine's currency, after it plummeted last month. Yet black-market traders continue to buy and sell at rates 25% lower than the official level. Ukrainians have pulled huge sums from banks; last month the country's fourth-largest bank, Delta, was declared insolvent. Haphazard reforms have spooked the markets. The West's lack of urgency in coming to Ukraine's aid has done little to calm them. Stable peace in the east looks far off.

Ukraine's parliament has now passed a raft of tough laws sought by the IMF, including cuts to pensions and rises in gas prices, which are set to go up by 280% in April alone. The new government is Ukraine's most competent in its independent history. But its reform efforts remain spotty, with vested interests gumming up change. Daniil Pasko, who leads deregulation efforts at the National Reform Council, says that less than 5% of the measures his team deems necessary have been taken. "We've only taken a few steps, and they are small steps," he says. "If we don't start running now, we'll have nowhere to run to."

Activists also lament the lack of bold action against corruption. People who pilaged the economy under the former president, Viktor Yanukovich, have not faced charges. The new Anti-Corruption Bureau, an independent body with law enforcement powers, has no head. Last week, after

German demography

Ageing but supple

BERLIN

Responding creatively to shrinking populations

THE little town of Schladen-Werla in rural Lower Saxony, right alongside the former barrier between East and West Germany, is in a demographic "devil's spiral", says Andreas Memmert, its mayor. The place is projected to lose about a third of its population by 2030. "The young and clever leave and the less mobile stay," he notes. As the population thins out, bus routes, crèches, schools, banks, convenience stores and libraries close for lack of demand. This makes life even harder for remaining residents, so they leave too.

Germany has one of the world's most rapidly ageing and shrinking populations, even though an uptick in immigration has temporarily halted its overall decline since 2011. By 2060 it is estimated that the total number of Germans will have tumbled by 20m, equivalent to Romania's population today. But decline is unevenly spread. Some cities are grow-

ing. Other areas, mainly in the east and the countryside, are emptying, (see map).

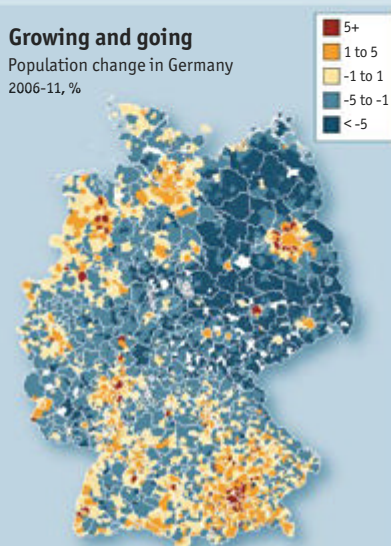
But local people in those places are not giving in. Some get together to start volunteer van services to replace buses. Others merge government services and shops under one roof. Usually, though, they run slap into Germany's dense thicket of rules and laws. Those locals who somehow prevail are "heroes", says Reiner Klingholz of the Berlin Institute for Population and Development, a think-tank. They are "breaking up our bureaucracy and making it more flexible."

Mr Memmert is one example; he even won an innovation award. He saw a crunch coming in 2008. In a town that once had five doctors, several had retired and the others were thinking of leaving. The 9,000 residents were at risk of having no doctor at all. A care home for the old would have had to close; families would have had to move for lack of paediatric care. So Mr Memmert found ten doctors in fairly distant cities in Lower Saxony and an investor in Nuremberg. He offered them the use of a big empty building, where a discount store had moved out, and persuaded them to take turns commuting to the town for one or two days a week, without quitting their old practices. Between them the doctors and a physiotherapist give continuous service.

The first hurdle was the doctors' association, a state-sponsored agency of self-regulation; it refused to grant permits. Mr Memmert overcame that with fierce lobbying. Then came volumes of pedantic laws. Mr Memmert either bent them or complied as far as possible. The physiotherapist, for example, must use a separate door, for reasons nobody quite understands. In the end he triumphed, and Schladen still has doctors. "Germans think 'the state is clever—the citizen is stupid'. We have to get more flexible," says Mr Memmert.

Growing and going

Population change in Germany 2006-11, %



Source: Bundesinstitut für Bau-, Stadt- und Raumforschung (BBSR)

the selection committee announced its four finalists, deputies from President Petro Poroshenko's party introduced a law that would sabotage the selection. Daria Kaleriuk of the Anti-Corruption Action Centre says the government is selling the "promise of reforms" in place of real ones.

The government's next challenge will be to get creditors to accept a debt-restructuring deal. Russia, which holds a \$3 billion eurobond, has called for full payment; it can cause problems by shunning negotiations, as all creditors want equal treatment.

Other bondholders will balk at a haircut, though many fear it will be necessary. Merely extending maturities may amount to kicking the problem down the road. It is doubtful that Ukraine will be able to pay in five years, says Alexander Valchyshev, head of research at Kiev's Investment Capital Ukraine. He says it would be "a sin" not to use the present difficulty to push for write-downs. Much bodes ill for Ukraine's future growth. The euro zone's woes, China's slowdown and Russia's slump all cast a long shadow. ■

Charlemagne | Your flexible friend

Rules are rules in Europe, except when they're not



AMONG the few certainties in this short life are death, taxes, and a wink from the European Union whenever France flouts its fiscal rules. This week France secured its third reprieve in six years, when EU finance ministers granted it two extra years to get its budget deficit below 3% of GDP, the limit enshrined in EU law. Inside the euro zone, serial rule-breakers are supposed ultimately to face the prospect of hefty fines. But despite its plan to run a deficit of 4.1% this year, France's punishment was altogether milder, amounting to stern words from the European Commission (which monitors the EU's fiscal rules) and an instruction to tighten the fiscal screws a little more.

The proposal for tolerance sparked a robust discussion among ministers, as the tortured language of their joint statement on France made clear. "The evidence did not lead the Council to conclude that no effective action [to tackle the deficit] had been taken," it read. Among hardliners were the Irish and Portuguese ministers, both from governments that have imposed fiscal misery on their citizens. It is hard to avoid their conclusion that large countries are absolved from rules that minnows must live by.

Yet renewed agonies over Greece have sometimes found the euro zone in a more schoolmasterly mood. Syriza, which rode an anti-austerity wave to election victory in late January, told voters that it would end the pain. But Greece's euro-zone partners, upon whom the country still relies for financial support, saw no reason to change the rules. The Greeks' proposals, such as replacing debt with growth-linked bonds, have been met with silence or worse, and their hardball negotiating strategies with derision. To keep itself afloat, the government has been forced into a series of reversals, and more are likely to follow. (Technical talks between Greece and its creditors on structural reforms began this week.)

Greece has long been a test case for the resilience of Europe's rules. Germans and others have been hard on the Greeks so as not to encourage misbehaviours elsewhere. Countries like Spain, facing Syriza-like insurgencies, have been forced to take a tough line. For Syriza, this dynamic has been devastating. It took office vowing to restore dignity to the Greek people. But its bull-headed approach pushed the euro zone to tighten the noose. "The prevailing view in Europe is that these guys are crazy," says a senior official involved in talks with the Greeks, "and that the only thing

that will bring them to their senses is a near-death experience."

The different treatment of Greece and France shows that the question of whether, and how strictly, to apply rules is highly political. That suits the French, but spooks others. Germany agreed to the creation of the euro only on condition that it was bound by a fiscal and monetary regime (and an independent central bank) that would curb the profligate. Small wonder Wolfgang Schäuble, the German finance minister, is fretting about flexibility.

Yet France seems to have a government that is at last serious about reform, particularly to the labour market. Fiscal breathing-space, says the government, will help defang opposition to its programme. It has a good case: Europe's rules too often encourage pro-cyclical fiscal policy and make it hard to take advantage of low interest rates to invest more. Applied too bluntly, they can foster extremists, as both the French and Greeks argue. Even the Germans have some sympathy with this. The trouble is that the game France is playing has 27 other participants. After this week's meeting, Ireland's finance minister, Michael Noonan, said that if France was getting flexibility, he wanted some too.

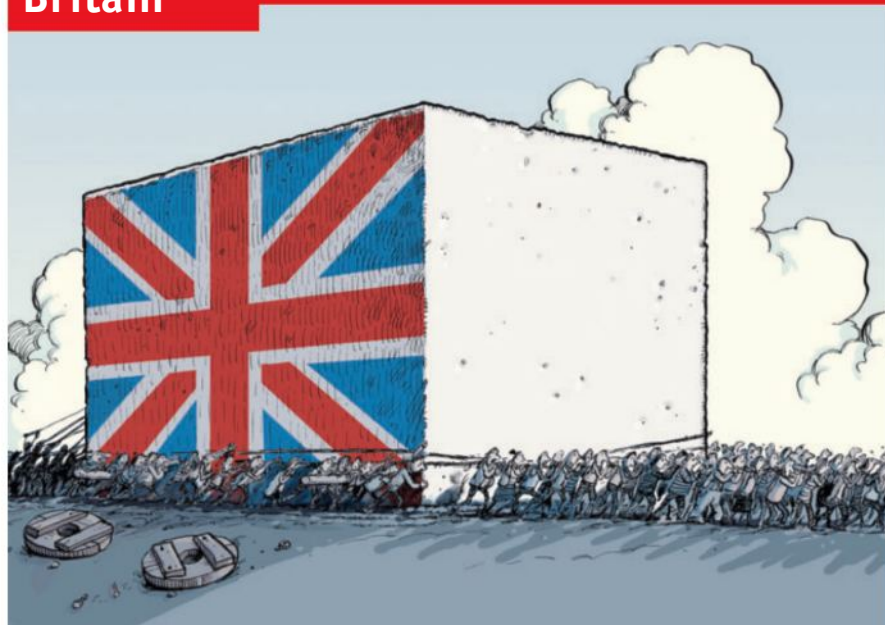
There are complexities elsewhere. Take the role of the European Central Bank, which dislikes the French extension: ignore the fiscal rules, it reckons, and the whole project may unravel. On Greece, too, it has been a stickler, denying Syriza's requests to issue more short-term debt on the ground that this would violate a ban on monetary financing of states. So far, so Teutonic. And yet in some German eyes the ECB's money-printing and negative interest rates are turning it into a bad bank. Nor is the ECB the apolitical institution it sometimes claims to be. It writes its own rules on matters like liquidity support or debt issuance and interprets them freely, as Greece has been discovering.

The law is sometimes an ass, but we don't know when

"This European Union cannot only be based on good will," said Jean Monnet, a founding father, in 1952. "Rules are necessary." Since Monnet's time the EU has grown to 28 members, making it ever harder to rely on trust. Such worries inspired the German-led drive to tighten the euro zone's rules after the crisis threatened to tear the project apart: obliging, for example, members to write balanced-budget provisions into national law. To its neighbours, the EU's image as a law-bound club makes it an attractive alternative to corrupt national elites; that is what inspired pro-European Ukrainians to take to the streets.

Yet over the years the EU has often bent the rules for a higher cause, such as the single currency (the debt criterion for membership was egregiously fudged for Belgium and Italy) or expansion to the east (Romania and Bulgaria were let in before corruption had been properly tackled). Such transgressions were forgiven as one-offs in the construction of *grands projets*. But today, with a bewildering array of rules governing basic fiscal operations, infractions are run-of-the-mill. Even Germany sins. In 2003 it breached the 3% deficit limit with impunity. More recently it has ignored the euro-zone's "macroeconomic imbalances procedure" by running current-account surpluses far above 6% of GDP.

The EU's image as a political club that put laws above politics may be the most romantic ideal of bureaucracy the world has known. But it does not always survive encounters with reality, as the French example shows. Hypocrisy alone is no mortal sin. But rules without political commitment may breed tension and mistrust. Some situations call for a strict application of rules, others do not. Alas, there is no rule to tell them apart. ■



The economy and productivity

Bargain basement

If Britain cannot get more from its legion of cheap workers, the recovery will stall

GEORGE OSBORNE can be forgiven a bit of global gloating when he delivers his final budget as chancellor of the exchequer on March 18th. Britain did, after all, grow faster than any other G7 country in 2014. Its job market is probably the fizziest in the EU. But Britain is also exceptional in a less desirable way. It has become an island of spectacularly cheap, if not terribly efficient, workers. There are now few better affluent countries in which to hire.

When the coalition government took office in 2010, the big economic problem was weak demand. Workers were unemployed or underemployed and machines sat idle. The output gap—a measure of slack in the economy—was about 3% of GDP, reckons the Office for Budget Responsibility, Britain's fiscal watchdog. The solution was foot-to-the-floor stimulus. The Bank of England ramped up quantitative easing and clubbed together with the Treasury to provide cheap cash to banks. Mr Osborne allowed borrowing to stay high. In 2013 a new Bank of England governor, Mark Carney, promised low interest rates until things got better.

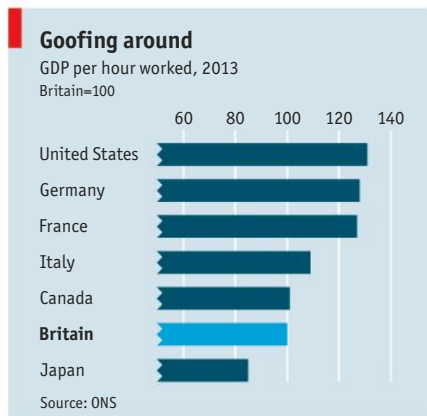
Demand and growth duly returned. The output gap has shrunk to less than 1% of GDP. That is good news, but it means Britain has a new challenge. Soon the economy will no longer require a heavy foot on the pedal. Instead, its engine must become more efficient.

Productivity slowed almost every-

where after the financial crisis. But the picture is especially dismal in Britain. Output per hour worked is still 2% below its pre-crisis peak; in the rest of the G7 group of rich countries it is 5% higher. The French could take Friday off and still produce more than Britons do in a week. Con-founding stereotypes, Italians are 9% more productive.

Britain's workers are a bargain all the same, because their pay is so pitiful. Of the 15 initial members of the EU, only Greece and Portugal now have lower hourly wages. A British employee produces a fifth less than a French one, but he or she is more than a third cheaper to hire.

For firms, this is wonderful. Unlike real wages, which remain 8% below their 2007



Also in this section

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60 Bagehot: George Osborne, more than just a hatchet man

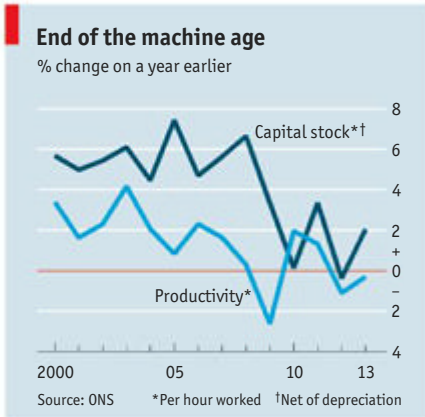
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peak, company profits are almost back at their pre-crisis level (and for service companies they have never been higher). The coalition has cut corporation tax, a levy on profits, to boot. In this fruitful environment, it is no surprise that net business creation—the number of startups minus the number of closures—is at its highest for at least 15 years, at 108,000 a year.

When people are cheap, firms would rather hire than invest in machines or technology. So productivity is held down. That tendency is stronger when banks do not lend much—as in the aftermath of the financial crisis—because cash-poor firms struggle to finance new investment. A shift from capital to labour seems to have happened in Britain: growth in the capital stock has fallen along with productivity (see chart on next page).

The ready supply of cheap labour in continental Europe further encourages hiring. In 2012 Britain absorbed eight immigrants per 1,000 inhabitants—more than twice the EU average. Half a million more EU migrants are employed in Britain than in 2010, accounting for roughly a third of the country's employment boom. Those kept out of work by burdensome regulation on the continent may find a job with ease in a country with weak unions and flexible work rules, perhaps on a zero-hours or part-time contract. Three-quarters of people moving to Britain from recent EU joiners do so to work; 70% of those who succeed end up in low-skilled jobs. Britain draws labour from Western Europe, too: since 2010 net migration from the 15 early members of the EU amounts to more than 200,000 people.

So far low productivity has been tolerable, even welcome. Unlike in America, where firms shed jobs quickly when the financial crisis hit, layoffs were comparatively rare in Britain. Instead the pain of the



► recession was spread widely, through lower wages. And squeezed workers are finally getting a little relief. Real wages, which fell for years, were 1% higher in the final quarter of 2014 than a year earlier. The Bank of England forecasts 3% growth in 2015. But that has a lot to do with low oil prices dragging down inflation and increased competition for workers. The bank's forecast for productivity growth is a much more modest 0.75%. With less slack, labour-market tightening alone will only cause domestic inflation. Britain still needs a long-run model for growth.

Productivity is rather mysterious, but the best bet for boosting it is to invest in skills and infrastructure. Overall investment was a paltry 14.5% of GDP at the last count—the lowest in the G20. This is a chronic problem: the country now lags behind Canada, Japan, France and Germany in the quality of its infrastructure, according to the IMF. Money could usefully be spent on better local transport (Britain's roads are among the most congested in the EU) as well as on fast broadband, housing and energy infrastructure.

Better still would be to harness the strength of Britain's excellent universities. Research and development spending is most effective at stimulating productivity when it is funnelled through universities, according to research by two academics, Jonathan Haskel and Gavin Wallis. At £2.8 billion a year (\$4.2 billion), university research accounts for a tiny proportion of government spending, but it has been cut by 5% in real terms in this parliament. Reversing that would be a good start. It would help, too, if foreign students were encouraged to stay in Britain after graduating. As part of its attempt to cut overall net migration, the government has pursued precisely the opposite policy, insisting that graduates find well-paying jobs quickly if they want to remain.

The country is running up against the limits of what can be achieved simply by boosting employment. With the recovery nearly complete, the next task for the island of cheap workers is to work out how to become an island of rich ones. ■

Politics

Downtrodden Labour

GLASGOW

Why Conservatives are talking up a Labour-SNP coalition

SPRING is in the air in Westminster and the Conservatives are upbeat. Having lagged behind the opposition Labour Party in polls for most of the past five years, they are now narrowly ahead two months before the general election. The Tories' clear messages on the economy mainly account for these green shoots (see Bagehot). But an additional explanation is emerging 400 miles to the north: the rise of the secessionist Scottish National Party (SNP).

Since the 1980s Scotland has been Labour's granite-like electoral base. Though often run by Scots, the party hardly had to think about the country north of Hadrian's Wall. When the SNP failed last year to win a referendum on Scottish independence, Labour expected it to fall apart, remembers one shell-shocked former staffer. Instead the opposite happened. The SNP has hoo-vered up the sprawling, leftish Yes (to independence) movement and turned it into a campaigning machine. The party's membership has grown from 26,000 to 100,000 in six months. Polling published by Lord Ashcroft, a Tory peer, on March 4th suggests that it is on track to take most of Labour's 41 seats in Scotland, including some of its oldest strongholds.

This helps the Tories in several ways. The first is practical: Labour must divert scarce campaigning resources north to fight for once-safe Scottish seats. The second concerns electoral arithmetic. Even if no party emerges from the election with a majority, as looks likely, the one with the most votes will enter coalition talks with momentum and authority. Nick Clegg, the leader of the centrist Liberal Democrats, says that he will speak to the biggest party first—as he did in 2010, when he formed a coalition with David Cameron's lot. The



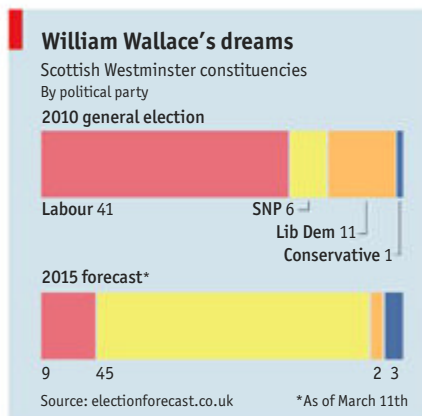
My wee prime minister

fewer seats Labour wins, the better the Tories' chance of being in that position and thus of holding power.

But the main reason for Conservative cheer is that the nationalists' rise may force Labour to seek an accommodation with the SNP. The latest projection by Election Forecast, a group of political scientists, suggests that Mr Miliband will lack the numbers to govern without the backing (or, at least, tolerance) of the party's MPs. Nicola Sturgeon, the SNP's leader, appears to be preparing for such an arrangement: she has assured Scottish voters that her party will never prop up the Conservatives, and on March 6th confirmed that its opposition to Britain's nuclear deterrent would not block a deal with Labour.

Tory strategists believe that the prospect of a Labour government reliant on the support of MPs who would shatter the United Kingdom horrifies the English. They are gleefully talking up a Labour-SNP deal in the hope that it will cost Labour votes south of the border. In February Mr Cameron claimed that the two leftish parties were "halfway up the aisle" and preparing for "a honeymoon in North Korea". On billboards in English marginal constituencies a Conservative poster depicts a huge Mr Salmond with Mr Miliband in his pocket.

Tactically, this is smart. Labour front-benchers wriggle when asked about the SNP, denying that a deal is "on the agenda" but refusing to rule it out. Yet the Tories' ruse could backfire. Humza Yousaf, an SNP bigwig, claims that Mr Cameron's theatrics will "only increase our support in Scotland". He has a point. Last September the prime minister begged the Scots to stay, saying that he would be "utterly heartbroken" if they seceded. Yet his recent attacks on the SNP can only strengthen the nationalists' claims that the English and the Scots are better off apart. Mr Cameron may protest that he is merely trying to win a second term. But at what cost to the union? ■



Bagehot | Not just a hatchet man

George Osborne, the Tory chancellor, has belatedly become more interesting



A PAIR of 19th-century titans glower from the walls of George Osborne's office in 11 Downing Street. There is craggy-faced Gladstone, the great deficit hawk; there is louche, brilliant rival, Disraeli—and pointing to them admiringly is Mr Osborne, who ordered the portraits. “Because Gladstone was the brilliant chancellor who created the modern British Treasury, and all chancellors should be modelled on him,” he explains. “But it would be a pretty miserable life if you lived like he did. You need some of Disraeli's romanticism, his fun, his dress sense!”

As a chancellor dedicated to saving money, with a buttoned-up public image to match his wan aristocratic features, Mr Osborne is not an obvious hybrid of his 19th-century heroes. Winston Churchill, Roy Jenkins and Kenneth Clarke more obviously combined fiscal discipline and personal excess. Yet there is more of Dizzy's courage and charisma to the Tory incumbent than is generally known, and not only in the slimline physique and raffish haircut he has adopted. Over the past year Mr Osborne has emerged as a more innovative, thoughtful politician than his press suggests.

To be fair to the press, his relentless questing for tactical advantage is always evident—as it will be on March 18th when he unveils his sixth budget, one of the government's last duties before the general election in May. Mr Osborne came to his office as the Tories' chief strategist and power broker, and even amid the demands of running Britain's troubled economy he has not relinquished those roles. Even more than his friend and boss David Cameron, he meddles in every policy and reshuffle. The rise of his favourites, including Sajid Javid, the culture minister, and Nicky Morgan, the education secretary, is assured. Passed-over Tory backbenchers denounce the prime minister without reservation, but the chancellor nervously.

Diagnosing politics as endless machination, Mr Osborne represents for many observers what is most frustrating about a Tory operation dominated by clever but shallow careerists. Damagingly, this disaffection is also becoming evident towards his party's main hope of retaining power in May—an austerity programme which, though broadly necessary, has always looked partly expedient in Mr Osborne's hands.

It is still working in his favour—or how else could he trumpet,

as he will in his budget speech, a retrenchment programme that is so far off track? In 2010 Mr Osborne vowed virtually to close the deficit by the end of this parliament; he will come nowhere close. That he can claim this as a success anyway represents, in large part, the tactical weakness of the opposition Labour Party, whose premature denunciation of Mr Osborne's policies had the perverse effect of validating them. Instead of repudiating the Tories' exaggerated claim that Labour over-spending caused Britain's debts to pile up, its shadow chancellor, Ed Balls, decried Mr Osborne's cuts, even as the persistence of the deficit made it inevitable that, in government, Labour would be forced to extend them, as Mr Balls has now promised. Politically, this has been disastrous for Labour. Yet there are also signs that Mr Osborne has overplayed his hand.

The cuts he touted in his Autumn mini-budget would represent a further colossal reduction in the budgets of defence, home, local government and other departments unprotected from the axe. The left accuses him of wanting to return Britain to the beggarly 1930s, a claim Mr Osborne rebuts vigorously enough to suggest it stings. “The idea that I have a fundamentally different idea of the state, I think that's all rubbish,” he says. “The British government is perfectly capable of delivering good health care while defending the country and educating the kids while living within its means and not having big increases in taxation.”

Yet it is not only the left that is worried. Some Tory MPs suspect the chancellor has promised more pain than he could deliver. Others worry especially about the defence budget, a cherished Tory concern. There are also signs that voters are losing their appetite for Mr Osborne's medicine. Though he still enjoys a big lead over Mr Balls on competency, polling by YouGov suggests 74% of Britons want spending on public services increased or held steady.

In his budget, Mr Osborne might relax the squeeze a bit—citing improving tax receipts and low inflation, for which he takes credit, as justification. But if that might be more realistic, its political impact would probably be minimal. The perception that the chancellor is committed to swingeing austerity is entrenched. Better, then, if he can concentrate his efforts on unveiling another of the cheap, imaginative reforms he has lately produced—including a remarkable and surprising plan, announced last month, to devolve £6 billion in health care and other spending powers to Greater Manchester.

Made in Madchester

This could prove historic, as a remedy for the over-centralised state and south-centric economy that are two of Britain's biggest problems. It was also counter-intuitive, given the Tories' general aversion to localism; bipartisan, having been negotiated with Manchester's Labour leadership; and suggested Mr Osborne to be a more pragmatic, less dogmatically small-state chancellor than he often seems. “We'll incentivise local governments so they benefit when the economy grows, we'll put in transport links,” he says. “I'm not a Conservative who says there's no room for government.”

Flexible, ambitious and doggedly negotiated, the scheme reflects far better on Mr Osborne than his axeman caricature. Nor is it unique: plans to liberalise pensions and smooth property taxes announced last year also represented efforts to innovate in a cash-strained economy. Mr Osborne is becoming a more interesting chancellor. He has left it rather late. ■



Also in this section

62 Bonded labour in India

62 Thailand's seafood slaves

Modern slavery

Everywhere in (supply) chains

NEW YORK

How to reduce bonded labour and human trafficking

“THE time that I went into the camp and I looked, I was shocked. Where all my expectations and my happiness all got destroyed, that was the minute that it happened.” So testified Sony Sulekha, one of the plaintiffs in the largest human-trafficking case ever brought in America. He and around 500 other Indians had been recruited in 2005 to work in the Signal International shipyard in Mississippi. Each had paid at least \$10,000 to a local recruiter working for Signal, expecting a well-paid job and help in getting a green card. Instead they laboured in inhumane conditions, lived in a crowded camp under armed guard and were given highly restricted work permits. Last month a jury awarded Mr Sulekha and four others \$14m in damages against Signal and its recruiters. Verdicts in other cases are expected soon. Signal says it will appeal.

A few days earlier Apple said that if it found that a supplier was using recruiters who charged potential employees fees, it would insist that they were repaid. Workers typically raise the cash by taking on debts that tie them to employers—a modern-day version of the ancient practice of bonded labour. The firm has now made suppliers reimburse around \$4m collected in 2014 from some 4,500 workers, and has brought in checks to make the policy stick.

Estimates of the number of workers trapped in modern slavery are, inevitably, sketchy. The International Labour Organi-

sation (ILO), an arm of the UN, puts the global total at around 21m, with 5m in the sex trade and 9m having migrated for work, either within their own countries or across borders. Around half are thought to be in India, many working in brick kilns, quarries or the clothing trade. Bonded labour is also common in parts of China, Pakistan, Russia and Uzbekistan—and rife in Thailand's seafood industry (see box on next page). A recent investigation by Verité, an NGO, found that a quarter of all workers in Malaysia's electronics industry were in forced labour.

Until recently campaigners paid most attention to victims who had been trafficked across borders to work in the sex industry. An unlikely alliance of right-wing Christians and left-wing feminists argued that prosecuting sex workers' customers would be the best remedy. But the focus is now widening to the greater number of people in other forms of bonded labour—and the proposed solutions are changing. Campaign groups and light-touch laws, backed up by the occasional high-profile prosecution, aim to shame multinationals into policing their own supply chains.

In December Pope Francis and the grand imam of Egypt's al-Azhar mosque, together with several other religious leaders, launched the Global Freedom Network, a coalition that tries to press governments and businesses to take the issue seriously. The ILO has launched a fair-re-

cruitment protocol, intended to cut out agents, which it hopes will be ratified by national governments. A pilot project will soon start in Jordan's clothing industry. Last month the British Retail Consortium, a trade group, published guidelines for supply chains, including recommendations on working conditions.

Two new philanthropic funds are also being established. The Global Fund to End Slavery, which is reported to have substantial seed money from Andrew Forrest, an Australian mining magnate, will seek grants from donor governments and part-fund national strategies developed by public-private partnerships in countries in which bonded labour is common. The Freedom Fund, launched in 2013 by Mr Forrest (again), Pierre Omidyar (the founder of eBay) and the Legatum Foundation (the charity of Christopher Chandler, a billionaire from New Zealand), finances research into ways to reduce bonded labour.

The Freedom Fund's first schemes include assessments of efforts to free bonded labour in the Thai seafood industry, the clothing industry in southern India and—a harder problem, since the customers are rarely multinationals—in brick kilns in the Indian states of Uttar Pradesh and Bihar. Arguably, the lack of evidence about what works is the main obstacle to reducing the prevalence of modern slavery.

America made human trafficking illegal in 2000, after which it started to publish annual assessments of other countries' efforts to tackle it. But it has only slowly turned up the heat on offenders within its borders. Australia and Britain have recently passed light-touch laws along the lines of a law requiring transparency in supply chains that was adopted by California in 2010. This requires manufacturers and retailers that do business in the state and have global revenues of at least \$100m to ►►

► list the efforts they are taking to eradicate modern slavery and human trafficking from their supply chains. A firm can comply by simply reporting that it is doing nothing. But it seems few are willing to admit this, lest it upset customers or staff, meaning that the issue is forcing its way on to managers' to-do lists.

Ending bonded labour will require economic as well as legal measures, says Beate Andrees of the ILO. Those desperate enough to get into debt for the chance of a job need better options, and long-standing recruitment practices must change. But she also hopes to see some "strategic litigation". Nick Grono of the Freedom Fund thinks one of the multinational construction firms preparing Qatar to host the 2022 football World Cup could be a candidate. There is evidence of "wilful blindness" to the terms on which migrant construction workers are being recruited, he says. A successful prosecution could be salutary. ■

India's bonded labourers

One brick at a time

Freeing those enslaved in quarries and brick kilns is a slow process

MANY of India's "modern slaves" labour in appalling conditions in brick kilns or breaking stones in quarries. Typically they are recruited by agents offering real jobs and then trapped by accepting an advance on earnings, which turns out to be a loan at exorbitant interest that no worker can ever hope to repay. The boss then suggests that the worker bring in his wife and children, and soon the entire family is enslaved. Unpaid debts can be bequeathed from one generation to the next.

Despite having been illegal in India for several decades, such practices continue. Corrupt politicians and police, the caste system and an illiterate workforce with few alternative ways to make a living combine to keep millions in bonded labour. Yet there are examples of activists successfully intervening to free such slaves and, crucially, to keep them free. Some are now being studied to find out what works and could be replicated elsewhere.

One notable example is the Society for Human Development and Women's Empowerment, an NGO that organises rescues from brick kilns near Varanasi, a city in the northern state of Uttar Pradesh. It seeks out victims, teaches them their rights, organises them into support groups and works with government officials both to free bonded labourers and to make sure they get benefits they are entitled to and school places for their children. It also pro-

Slavery and seafood

Here be monsters

SINGAPORE

Thailand's fishing industry is rife with trafficking and abuse

BEFORE he escaped, Maung Toe, an immigrant from Myanmar, laboured unpaid for six months on a Thai ship fishing illegally in Indonesian waters. A cargo boat came by every ten days to bring supplies and offload the catch; naval patrols came close, but the crew would evade them. He had been forced aboard at gunpoint and sold by a broker to the captain for \$900. It was the first time he had ever seen the sea.

Mr Maung's story is told by the Environmental Justice Foundation (EJF), a charity, in a recent study of trafficking and piracy in Thailand's seafood industry. The country hosts tens of thousands of trafficking victims, by conservative estimates, many from Myanmar, as well as from Cambodia and Bangladesh. Many of them sweat on trawlers or in vast fish-processing plants. Some were duped by recruitment agents; a few were kidnapped. Others are migrants who were waylaid by traffickers while travelling through Thailand.

Overfishing is partly to blame. Average catches in Thai waters have fallen by 86% since the industry's large expansion in the 1960s. Such meagre pickings have driven local workers out of the industry and encouraged captains to seek ultra-cheap alternatives. Boats now fish farther afield and stay at sea for months at a time, making slavery harder to spot.

International pressure is mounting. The American government ranks Thailand among the least effective of all countries in fighting trafficking, along with Iran, North Korea and Syria. Food firms in Europe and North America—who together purchase about a third of Thailand's fish exports—seem concerned. Last

year the prime minister, Prayuth Chan-ocha, promised tougher enforcement. At a press conference this month, the authorities said they had identified nearly 600 trafficking victims in 2014.

But cynics worry that the military government in power since a coup last May will turn a blind eye again once the immediate threat to exports fades. Frank discussion of the business seems to be discouraged. Two journalists in Phuket—an Australian and a Thai—may face a defamation trial for republishing sentences from a Reuters article alleging that navy personnel had helped traffickers. In January campaigners forced the government to drop a plan to put convicts to work on fishing boats—a policy probably intended to dampen demand for bonded labour. A broader shift towards respecting human rights seems some way off.



Enmeshed in the slave trade

vides training, especially to women, so that they can earn money in other ways. Some freed workers have even been helped to set up their own brick kilns.

The Freedom Fund is now piloting a "hotspot" strategy that seeks to show how bonded labour can be eradicated from entire districts by helping the most effective NGOs to work together. Grants of up to \$200,000 have been given to 17 NGOs in 27 districts in Bihar and Uttar Pradesh, where bonded labour is most prevalent. In the first year, which has just ended, grants of \$1.1m freed 2,193 people, of whom 610 can now support themselves without further help. Nearly 6,000 families were helped to enroll in government benefit programmes, and 5,000 officials were trained to enforce

the law and give aid to victims.

These efforts, although positive, barely scratch the surface of a huge problem. So the Freedom Fund has recruited the Institute for Development Studies at the University of Sussex and Harvard University's Fxv Centre for Health and Human Rights to study the hotspots to discover what is working and whether it can be scaled up fast. This will include controlled trials comparing districts in which the NGOs work with similar ones where nothing is being done, and will look at everything from whether freed workers find the alternative work that they need to stay free to whether they actually feel freer and more in control of their own lives. The first results are due in a few months. ■



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Wearable technology

The wear, why and how

NEW YORK

For smartwatches and other wearable devices to become mainstream products will take more than just time

IN THE beginning was Apple. All things were made by it; and without it was not anything made that was made." If technophiles were to write their own Testament, these might be the opening lines. Apple's ability to redefine the appeal of whole categories of computing has attracted the unerring faith of millions of followers. Apple has popularised existing technologies four times: with the Macintosh computer in 1984, the iPod in 2001, the iPhone in 2007 and the iPad in 2010. Recently the faithful have prayed that Apple will pull it off again with its smartwatch. Many firms already make wrist-based devices that measure sleep patterns and exercise, but so far the category has remained a niche plaything for geeks and athletes.

On March 9th the firm gathered its flock to share details about the Apple Watch, which will go on sale next month. Tim Cook, its boss, called it "the most advanced timepiece ever created". In addition to telling the time, it can respond to voice commands, measure its wearer's heart rate, act like a credit card at payment points and provide alerts for incoming calls and e-mails. It can display many of the apps that are popular on smartphones, such as those of social networks, without the hassle of having to pull out a phone.

With prices ranging from \$350 to as

much as \$17,000, the Apple Watch will make the company billions in revenue, although analysts have varied expectations for how big the bang will be (see chart 1). In the near future the watch is unlikely to match the success of some of Apple's other creations, which have been among the best-selling technology products in history. Its battery lasts for just 18 hours before it needs more juice from a magnetic charger. The Apple Watch also needs to be close to an iPhone in order to function, which detracts from its usefulness.

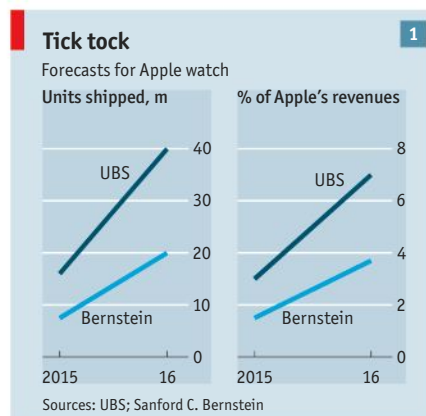
The launch of the Apple Watch points to a broader story: high expectations that

wearable technology will soon take off. Wearables, mobile devices containing circuitry to gather and display information, include a diverse wardrobe of products, such as clothes that measure exertion and glasses that overlay information and augmented images on real-life vistas. Some 21m wearable devices were sold last year, according to IDC, a research firm; wrist-worn wearables, including watches, were the majority.

Consumers are prepared to spend reasonable sums for wearables (see chart 2, next page). But even so, their interest in buying them is still some way behind the enthusiasm shown by the many hardware companies investing heavily in designing them. Giants like Samsung, Motorola, Microsoft and Huawei are all developing smartwatches, as are smaller companies like Pebble. Google, which tried to develop a pair of smart specs called Google Glass with limited success, is now focusing on providing the operating system of choice for smartwatches. In wearables it is more likely that companies will make a fortune from the operating system than from selling the hardware.

Sportswear companies are competing to develop jerseys, shoes, and bras loaded with sensors and wireless circuitry. Firms' ambitions range from the critical to the cuddly. Several companies are offering small gadgets that use GPS technology to track children who might wander off, for example. CuteCircuit, a British startup, has designed a smart shirt that reproduces the feeling of being hugged when someone sends the wearer a text message.

Health is an area of particular promise. Watches and other wearables can help people monitor their activity and encour- ►



age them to exercise. Apple's watches provide "haptic feedback": they vibrate to give alerts to wearers, such as reminding them to stand up if they have been sitting too long (as your correspondent has been while writing this). The watch will also offer new data-gathering capabilities for studying health (see page 80). These are the early days of the "quantified self" movement, in which people track lots of data about themselves for personal use, and perhaps to share with companies.

Thanks largely to the smartphone boom, chips and sensors have become cheaper and smaller. This has helped wearables move "from a 'Star-Trek'-like dream to reality," says Stacey Burr of Adidas, a sportswear-maker. But it may be five years or so before their full potential starts to be realised. "We are in the Palm Pilot days for wearables," she says, referring to an extinct ancestor of the smartphone.

Several things have held back smartwatches and other wearables. Many have a short battery life, which limits their appeal. With Moto 360, Motorola's smartwatch, as an exception, most can only make calls or perform other functions if an accompanying phone is nearby. Many consumers have little interest in another device that cannot serve as a substitute for what they already carry around.

Putting the "wear" in wearable

Wearables have so far lacked the elegant design and ease of use that helped smartphones ring in such success. Even the fashion models who were hired to strut around demonstrating Google Glass struggled to make it look stylish. Most companies are focusing on the engineering challenges in front of them and paying too little attention to the "cultural engineering" that needs to happen for wearables to become accepted, says J.P. Gownder of Forrester, a research firm. Apple has hired fashion-conscious executives from luxury brands like Burberry and Yves Saint Laurent to make its watch attractive, but it is not yet obvious that it has cracked the cool code.

The most common pitch for buying a smartwatch is also an unsatisfying one. Having sold consumers smartphones, companies are now saying that glancing at notifications on your wrist is a more efficient use of time and more polite than using a phone. David Singleton, engineering director at Google, which has made its Android operating system available on watches, says smartwatches allow wearers "to be more present with people around you". The reality, however, is that glancing at your watch and checking your phone are both ways to alienate friends and colleagues.

But the biggest challenge facing wearables is the absence to date of a "killer app". Watches do not yet provide much more than smartphones currently do, and



some models offer far less. Moving beyond phones' capabilities will take time, says Tim Bajarin of Creative Strategies, a consulting firm. It will also depend on getting developers to build apps that will make the most of wearables' possibilities. Currently, most developers are preoccupied by smartphones, which have hundreds of millions of users versus a few million for smartwatches, says Chris Dixon of Andreessen Horowitz, a venture-capital firm.

Many developers will also wait and see which operating system becomes dominant before investing time, effort and money in wearables. Apple and Google are going head-to-head to develop the system that will unite different areas of people's lives, from their watches and phones to their cars and home appliances.

Some analysts think wearables' killer feature may eventually be that they will provide their users with a "persistent" digital identity, melding the functions of a driving licence, credit card, house key, car key and computer in one small gadget worn on the wrist or neck. To see what that future might look like, travel to the Disney World theme park in Orlando. Disney invested around \$1 billion to build a system in which people use a wristband (called a MagicBand) to get on rides, pay for food

and enter their hotel rooms. The technology is convenient for guests, who have to carry around fewer cards, but probably costs them more in the end, because it is so easy to buy something without thinking of the bill. The bands let Disney collect data in real time about the traffic their rides and restaurants are getting, so as to deploy staff to the right places. Other firms are taking tentative steps in a similar direction. Car-makers such as Hyundai are creating apps to let people unlock and start their cars remotely with their watches and phones.

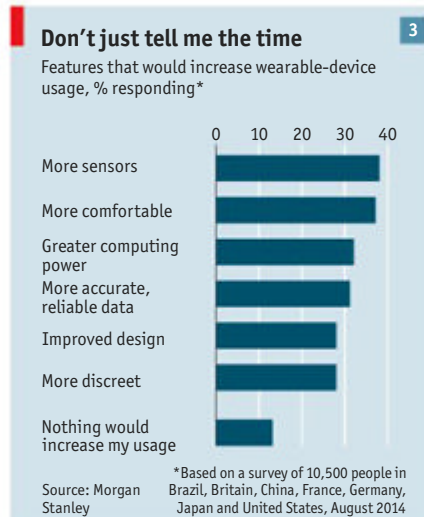
Consumer applications such as these are not the only route to success for wearables. It is true that for the past decade, consumers have driven many technology trends, from the streaming of films and music to "sharing economy" businesses like Airbnb and Lyft. But the next stage in wearables' development may be led by business users. It is still early days. "Everything I am seeing is trials," says Arnie Lund, a senior engineer at General Electric. Yet wearable devices would be useful in the workplace in all sorts of ways.

In factories and warehouses, smart glasses could make it more efficient to locate and handle stock—and to keep an eye on workers' productivity. Mining and oil firms could use wearables to monitor the safety of employees in hazardous situations. First Vision, a Spanish startup, is working on a sports shirt with an embedded camera, to give fans a players' eye view of the action. Virgin Atlantic, Japan Airlines and other carriers have tried using smart glasses and watches to improve their check-in service. Consumers may benefit in the end, but the buyers of the wearable devices will be businesses.

For companies the cost of kitting out their staff with smartwear is less of a problem than building the computer systems needed to support such devices and process their data. This can cost \$500,000 or more for each application, says Dave Miller of Covisint, a technology firm.

Wearable devices hold the potential to transform some industries. Clinical trials could become cheaper and more accurate if drugmakers give wearable monitors to the patients taking part. Hospitals and doctors' surgeries could use such monitors to reduce the need for home visits. Insurance firms could enter a new age in which they reduce risk as well as provide cover for it. One American health insurer is already handing out health-monitoring bands to customers, promising lower premiums for those who exercise more (see page 71). Banks could reward customers who use the identity-verifying features of wearables, to cut the risk of card fraud.

The opportunities are boundless, but so are the dilemmas. Wearable devices are highly personal, but that exposes people to real risks. As consumers quantify more of their lives and store more of their health



Business barometer

It's an ill wind that blows no good

Higher political risk means rising spirits for defence firms

THE world economy is on the mend, according to executives surveyed in the latest quarterly poll of 1,500 senior managers carried out for *The Economist* and the *Financial Times* by the Economist Intelligence Unit, our sister company. The balance of respondents who think business conditions are improving has risen to 16 percentage points, up by 3 from the end of 2014.

Yet this stable outlook hides a shift in the concerns of business leaders. The proportion of executives saying that political risk is one of their main worries has crept up from 36% a year ago to 42% now. Fears of a cyber-attack or breach of information security have also risen.

Where others see risk, managers in the aerospace and defence industry see opportunity: they are now more upbeat than counterparts in all other types of business surveyed. It may be that they foresee an end to years of cuts in Western defence budgets, coupled with strengthening prospects for selling weapons to Asian powers.

In their recent results announcements Boeing and Lockheed Martin of the United States, the world's largest defence exporters, emphasised the importance of Asia. Both are well-placed to benefit as South Korea and Japan increase their military budgets in response to rising Chinese military spending.

Wars and political tension have driven up weapons spending across the globe. Ian King, the chief executive of BAE Systems, expresses cautious hopes for the American market. Barack Obama has put ambitious, though probably doomed, plans before Congress that include a 7% boost to the country's military budget, already the world's largest. In western Europe, economic recovery and Russian belligerence are expected to bring increased spending on defence procurement. IHS, a research firm, predicts a 6% rise by 2017.

New wars have opened up new markets. Military spending in the Middle East

Big-bang theory



Sources: *The Economist*/FT Global Business Barometer; Thomson Reuters

Interactive: Track global business confidence over time with our barometer at Economist.com/bizbaro

and north Africa grew by 9% last year, IHS calculates, as governments rushed to respond to the rise of jihadist groups. Frank Kendall, in charge of the Pentagon's procurement, expects an increase in sales of precision munitions, as air forces in Egypt, the UAE, Qatar, Saudi Arabia and Jordan join American strikes against Islamic State. Gulf countries are also buying lots of spy planes, drones and other surveillance technology, to track widely dispersed forces on the ground.

Marilyn Hewson, the boss of Lockheed Martin, dismissed the possibility that low energy prices (which affect oil-producing countries' spending power) or a nuclear deal between America and Iran could reduce buyers' enthusiasm. "We've not seen anything that would impact our portfolio," she said in a recent earnings call. Others in the industry clearly agree.

about wearables as the many companies now working on them. But the explosive success of the smartphone demonstrates the miracles that can happen when software developers turn their minds to exploiting the full potential of a device loaded with sensors and computing power. It is still unclear what wearables' killer app will be. But Apple's faithful will keep praying that one day it will be revealed. ■

Noble Group

Nobbled

A big Asian commodity-trader is attacked by an anonymous online critic

RICHARD ELMAN has lived quite a life. He began as a scrap-metal trader in London, then found himself trading commodities in Hong Kong in the 1970s. Today he is chairman of Noble Group, a global trading firm that he founded in 1987 and which deals in everything from American shale gas to Brazilian sugar. It was named after "Noble House", a novel by James Clavell about the then-British colony that featured ruthless tycoons living by their wits.

The latest chapter in Mr Elman's career could easily belong in a blockbuster. On February 15th an unknown outfit called Iceberg Research, with no presence other than a website and a Twitter account, began a campaign alleging that Noble's accounts give an unduly rosy picture of its condition. Noble's shares have tumbled by 24% so far. Iceberg says that it does not stand to profit by this decline and that it is acting for the greater good.

Noble is in some ways an unlikely target. Its annual sales are \$86 billion. Its board is stuffed with the great-and-good of Hong Kong; it is audited by EY, an accounting giant; and its shares are listed in Singapore, perhaps Asia's best-run financial centre. Yet two of Iceberg's criticisms have bite.

The first is that Noble has overvalued in its balance-sheet an investment in an Australian coal miner. On February 26th Noble wrote down much of the value of this position, booking a non-cash charge of \$200m.

The second criticism is potentially more serious: that a chunk of the profits Noble reports comes from non-cash gains created by "marking to market" long-term contracts (eg, to supply coal) and derivatives it holds. Iceberg is not accusing Noble of fraud, but it is questioning how realistic these valuations are and asking how much of the company's reported profits are the result of this practice. Noble reported that at the end of 2014 the net fair value of these positions was \$4.6 billion, equivalent to 91% of its book value.

It is hard to tell from what Noble discloses in its accounts whether its valuations are indeed fair; and since it is also unclear how much of its profits come from such changes in valuation, it is difficult to assess how robust its profits are. Noble did not respond to requests from *The Economist* for comment. The firm's cashflow has been weak. Over the past three years it has booked net profits of almost \$1 billion but negative cashflow of almost \$2 billion, after working-capital, capital-investment ►

► and medical data electronically, the chance that they could be compromised rises. Currently there is no straightforward way to revoke personal information should a wearable device be lost or stolen. Mark O'Neill of Axway, a French software-security company, says wearables provide "a new avenue of attack" for cyber-criminals.

Such fears will need to be assuaged for consumers to become as enthusiastic

▶ and interest costs.

Noble has launched a defence of sorts. Its top brass have bought shares in the firm, presumably to signal their confidence in it. On March 5th it issued an 11-page rebuttal, suggesting that a disgruntled ex-employee was behind Iceberg. It also gave more detail about the “fair value” positions. They reflect over 12,000 individual contracts, almost half of which mature within two years. Over the past three years the firm has realised \$800m of cash from such positions. Yet the rebuttal omitted a vital piece of information: how much profit has been booked from these positions. Without this nugget it is hard to form a sensible judg-

ment about Noble's books or health.

Even if its shares fall further, Noble can service its debts—it has \$2 billion falling due in the next two years, against about \$5 billion of liquidity in the form of cash and bank facilities. Standard & Poor's, a ratings agency, has said it is comfortable with its “BBB-” rating of the firm. Yet Noble also needs to command the confidence of its trading counterparties around the world. And the price of credit-default-swaps on Noble, which insure against the risk of default, have ballooned, according to Bloomberg, an information service. That suggests the firm needs to offer a better explanation of how its accounts work—and soon. ■

Aldi and Lidl

Tomorrow, not quite the world

FRANKFURT

The German discounters' successful business model only stretches so far

IN GROCERY, at least, globalisation has met its match. Many of the most illustrious names in the business have had to retreat from disastrous forays abroad. Carrefour of France has quit 19 foreign markets in the past 20 years. Tesco of Britain lost billions on a failed attempt to make it big in America, abandoned in 2013. In 2006 Walmart of the United States, the world's biggest retailer, gave up on its attempts to conquer Germany and South Korea.

In the past few years the big success story in food retailing has been the international expansion of Aldi and Lidl, two German chains founded in 1946 and 1973 respectively. They are now the world's biggest “deep-discount” grocers, offering mostly their own brands of goods and almost no premium-priced products. The Schwarz Group, which owns Lidl as well as a hypermarket brand, Kaufland, is also Europe's biggest retailer. As mainstream supermarket groups contract, in Europe especially, the German duo continue to eat up market share. So, how far can they go?

In their home market their position is strong, though far from dominant. Their combined share of sales among German food-retailing chains was just over a quarter last year, reckons Planet Retail, a research outfit. Aldi (which is divided into two legally separate but co-operating companies, Aldi Nord and Aldi Süd) had 14.8% and Lidl 10.9%. In Europe as a whole they are still relatively small: Aldi has a 3.3% share of sales and Lidl 3.8%. In Britain—where the two increased their sales by 22.6% and 15.1% respectively last year—their combined share is now 8.5%. Aldi, which already has 600 stores in Britain, aims to have about 1,000 outlets by 2022.



Piling it high, selling it cheap

Aldi's performance in Australia has been impressive. The discounter opened its first store there in 2001 but already has about 10% of the grocery market on the eastern seaboard. It recently announced plans to spend A\$700m (\$530m) on distribution centres and outlets to expand into southern and western Australia.

In America, Aldi has been quietly growing for decades. Aldi Süd has 1,375 stores under its own name, mainly on the east coast, but has expanded into Texas, Florida and California. Aldi Nord operates 435 shops in America under the name of Trader Joe's. Together they have just 1.7% of

the national market. But in 2013 the group announced a \$3 billion expansion plan, to add 650 Aldi-branded stores. Lidl had planned to enter the American market this year but has postponed this until 2018.

Despite the impression of relentless expansion, Aldi is picky when it looks abroad. It only “seeks out countries where returns on groceries are significantly higher than global averages,” explains Paul Foley, a former head of Aldi UK. Usually this is because the local market is dominated by a few giants. Britain is one such place. Australia is another: Aldi has muscled in on a cosy near-duopoly between the Woolworths and Coles chains. In America, Aldi started out in those states and regions where market conditions were similar. As a family-owned, private company, with no need to appease outside investors, Aldi grows slowly and organically, Mr Foley explains, “to suck the profitability out of the industry in favour of the consumer.”

This is not the only way in which its strategy is self-limiting. Aldi is highly protective of its reputation as a squeaky-clean, family-owned business. This has made it uncomfortable about entering countries where corruption is endemic. Much the same can be said of Lidl. It is therefore hard to see the duo plunging into the emerging markets. In November it was reported that Aldi Süd was looking to enter China—but analysts still think this unlikely.

Instead of expanding to more countries, Aldi and Lidl are likely to concentrate on spreading across America and doing even better in places like Britain. There, analysts expect the two together to end up with about 15% of the market, as they already have in Ireland. To do this they are stretching their business model by adding upmarket products—including lobster and claret—to keep the middle-class customers they attracted in the post-2008 downturn.

How might their competitors fight back? Some think that Aldi and Lidl could be vulnerable online. Neither has yet developed an internet-based sales channel, although online grocery sales are increasing. In Britain, for example, rivals like Sainsbury's and Waitrose are investing heavily in digital technology. The mainstream supermarkets are also trying to learn from France, where the incumbents, Leclerc and Carrefour, fought back with big price reductions and by selling more non-food items, recovering some lost market share for a time at least.

Even so, warns Jürgen Elfers, a retail analyst at Commerzbank, Lidl still bounced back to record its largest ever share of the French market (5.2%) in November. Having wisely recognised the geographical limits of their model, the two German deep-discounters are patiently and systematically advancing in their chosen territories, and rivals there are likely to keep losing shoppers to them. ■

The shipping industry

Low rates on the high seas

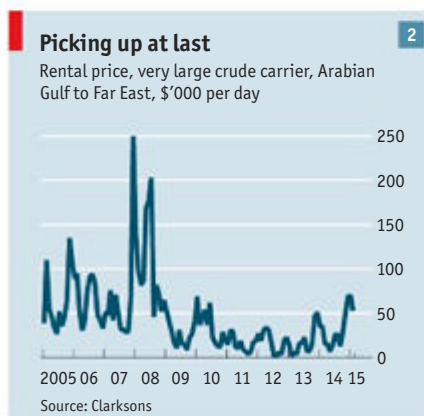
A slump in shipping rates reflects the chronic optimism of shipowners

OLD salts interpret low-flying seabirds as a sure sign that a storm approaches. For some observers the Baltic Dry Index (BDI), which tracks the cost of shipping iron ore, coal, grain and other materials, is delivering much the same message about the global economy as a wave-skimming albatross. Last month it hit a 30-year low (see chart 1). Yet its decline says more about the predicament of those who own the vessels that carry such cargoes than it does about economic growth or the prospects for world trade. For container ships, which move finished goods, and oil tankers the outlook is less gloomy.

True, fresh signs emerged this week that China's economy is slowing. Growth this year may be 7% or less, compared with 7.7% in 2013 and 7.4% in 2014. China absorbs three-fifths of the world's ship-borne iron ore—the most commonly carried dry-bulk cargo—and a quarter of its coal. Yet this alone does not seem to justify a two-thirds fall in the BDI over the past year. Clarksons, a shipbroker, still expects Chinese imports of iron ore to grow by 7.5% this year.

Cargo rates have foundered along with the share prices of shipping firms mainly because the growth of capacity has run ahead of the growth in demand. Some firms have sunk completely. Copenship, a Danish ship operator, went bust in February. Last year the bankruptcy of Genco Shipping was one of the largest in America.

The industry is suffering a flashback to what happened around the time of the global financial crisis. In the run-up to the crisis China's appetite for raw materials seemed insatiable and shipping rates soared: the BDI peaked in May 2008 at



11,793, more than 20 times its current value. That prompted a frenzy of orders for new ships. But by the time these vessels started arriving, a couple of years later, they were launching into a global slump, so rates plummeted. In 2013, just as the scrapping of old ships and a scarcity of new launches were restoring a semblance of order, Chinese coal imports surged, and the BDI began to recover.

Shipowners took this as a cue to start ordering ships again. But no sooner had they done so than, in 2014, China's coal imports fell back sharply once more. This was not because of the state of its economy but because a policy to wean the country off coal had begun to take effect, as power began flowing from big, new hydroelectric projects. Ships ordered in 2013 are starting to roll down the slipways, nonetheless, and even record Chinese imports of iron ore are not enough to soak up excess capacity.

All the steel that China is making with that ore has also been hurting the shipowners, explains Crystal Chan of IHS, a research firm. Usually, low shipping rates encourage the owners of old vessels to scrap them. But a flood of low-cost steel from Chinese mills has brought down the value of scrap metal, making it less attractive to send ships to the breaker's yards.

There are now signs that shipping's self-righting mechanism is finally beginning to work. Demolition rates have started to pick up, from a low base, and orders for new vessels have all but dried up, says Marine Capital, a shipping investment fund. But it may take a year or two before bulk-carrier rates, and thus the BDI, pick up.

For other types of ship, things look a bit brighter. Tankers, which shift crude oil and refined products such as petrol, had a per-

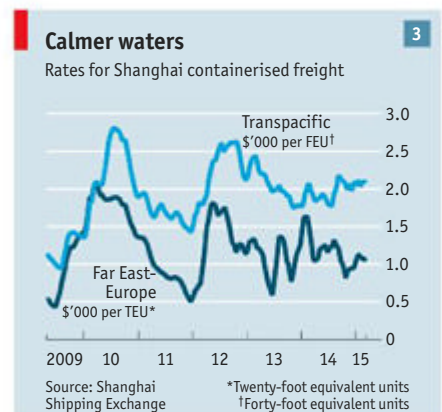
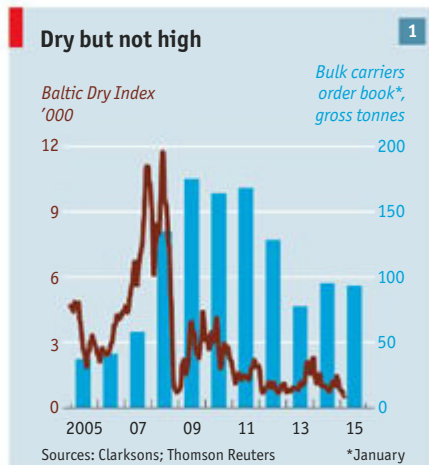
iod of oversupply and a collapse in rates after a similar ordering binge ahead of the financial crisis. But tanker rates are showing tentative signs of a pickup (see chart 2).

America's shale-oil boom means it has fewer tankers heading in its direction—but much of the oil produced in the Atlantic basin is now making a longer journey to Asia, keeping tankers busy. Saudi Arabia and fellow OPEC members are still merrily pumping their oil aboard ships. The recent weakness in the crude price has put the oil market into "contango", meaning that the spot price is lower than the forward price. This has encouraged some traders to charter tankers just to store oil and sell it at a higher price later.

As a result, for some oil tankers rates are at their highest since 2008. That said, some shipowners are said to be negotiating with builders to convert orders for their now unwanted bulkers into ones for tankers, which will bring more supply into the market for those vessels.

The picture with container ships, which shift manufactured goods, is more complex. There were no reliable indices before the financial crisis, but Trevor Crowe of Clarksons says container rates were hit far harder by the crisis than those for other types of vessel. Since then rates have been choppy (see chart 3). However, the biggest operators of container carriers have become more efficient at managing their fleets, and have swapped old vessels for bigger, more fuel-efficient ones, helping them cope with periods of weakness. Maersk of Denmark, the biggest, reported a record profit of \$2.3 billion for 2014.

In all, the sorry state of the bulk-shipping industry says more about shipowners' incurable optimism than it does about the world economy. Owners are habitually more worried about missing out on an upturn than they are about getting caught by a downturn. This cheery disposition can do serious damage to their wealth. But it means that, over time, shipping rates tend to be lower than they would be if owners were more pessimistic. Far from fretting about the BDI, customers should be grateful for low prices. ■



Schumpeter | On the cards

Why the business card is thriving in the electronic age



THE details may vary. Americans sling their business cards casually across a table; the Japanese make the exchange of cards as elaborate as a tea ceremony. Some cards are discreet. Guangbiao Chen, a Chinese tycoon, crams his with titles such as “China earthquake rescue hero”, “Most prominent philanthropist of China”, “China’s foremost environmental preservation demolition expert” and, in case you didn’t get the message, “Most influential person of China”. But the swapping of business cards is as close to a universal ritual as you can find in the corporate world.

Business cards have been around a long time in one form or another. The Chinese invented calling cards in the 15th century to give people notice that they intended to visit. European merchants invented trade cards in the 17th century to act as miniature advertisements. They can provoke strong emotions. Nothing will provoke more discussion at a board meeting than the design of the company’s business cards, says a veteran director. In Bret Easton Ellis’s novel, “American Psycho”, the serial-killer antihero tries to impress some fellow masters of the universe with his new business card. He is crestfallen when they all whip out equally fancy ones—and aghast when one produces an absent colleague’s card, which is on thicker paper and has a watermark.

Lots of companies try to turn their cards into miniature plugs for their products. Employees at Lego give out miniature plastic figures with their contact details stamped on them. McDonald’s business cards are shaped like a portion of fries. Bon Vivant, a Brazilian cheesemonger, uses a miniature cheese-grater as its card. A Canadian divorce lawyer once gave out cards that can be torn in two—one half for each of the feuding spouses.

Such gimmicks can quickly pall—or grate, in the case of Bon Vivant’s cards. For techno-utopians, they just go to show that the physical business card is in its death throes. After all, why bother exchanging bits of thick paper at all when you can simply swap electronic versions by smartphone?

However, one can just as well argue the opposite: that business cards are here to stay, and in a blizzard of meetings and correspondence, it is more important than ever that your card stands out. Attempts to reinvent business cards for the digital age have got nowhere. Even at the trendiest of Silicon Valley tech gatherings, people still greet each other by handing out little rectangles

made from dead trees rather than tapping their phones together. Facebook’s boss, Mark Zuckerberg, who briefly had a business card printed with “I’m CEO, bitch”, now hands out a sensible, grown-up version.

That business cards are thriving in a digital age is a forceful reminder that there is much about business that is timeless. Take, for instance, the eternal and inescapable question of whether you can trust someone. The number of things that machines can do better than humans grows by the day. But they cannot look people in the eye and decide what sort of person they are. And they cannot transform acquaintanceships into relationships. A good deal of business life will always be about building social bonds—having dinner with people, playing sport with them, even getting drunk with them—and the more that machines take over the quantitative stuff the more human beings will have to focus on the touchy-feely.

The rapid advance of both globalisation and virtualisation means that this trust-building process is becoming ever more demanding. Managers have to work harder at establishing trust with people from different cultures: chief executives of global organisations routinely spend three out of every four weeks travelling. They also have to get better at using personal meetings to reinforce bonds that were first formed over the phone or internet.

Here, business cards are doubly useful. They can be a quick way of establishing connections, particularly in Asia, where they are something of an obsession. The Chinese are following the Japanese in treating them as semi-sacred objects. Some businessmen hand out 24-carat gold cards. Nursery-school children sometimes carry cards not only with their own contact details, but also with the job descriptions of their parents and even grandparents.

Cards can also act as a physical reminder that you have actually met someone rather than just Googled them. Rifling through piles of different cards helps to summon up memories of meetings in ways that simply looking through uniform electronic lists never would. They can even raise a smile: David Cheesewright, the boss of Walmart’s international division, hands out miniature cards made of recycled paper and emblazoned with the name “Dave”, presumably in an attempt to persuade people that, in spirit at least, Walmart is just like your friendly corner shop.

Don’t you know who I am?

Business cards are also proof of a second timeless principle—that hierarchy still matters. Management gurus such as Gary Hamel of the London Business School preach the virtues of flatter management structures. Firms like Zappos, an online shoe-shop, try to run themselves as a collegial “holacracy”. But business cards tell a different story: that someone’s job title is an essential part of his identity (even Mr Cheesewright’s jokey card leaves you in no doubt about his importance). Exchanging business cards is not just a way of sparking a conversation. It is a way of placing people correctly in the pecking-order without the embarrassment of asking them their formal title. As “wearables” go, this is a killer app.

The business world is obsessed with the notion of disruptive innovation. But there are lots of things that do not need to be disrupted or innovated. Your columnist finds paper diaries less fiddly than electronic ones. Having dinner with someone is a better way of getting to know them than Skypeing. And exchanging business cards still seems to be an excellent way to initiate a lasting relationship. The ritual swapping of paper rectangles may be old-fashioned but on it will go. ■



A tightening grip

JIAXING AND YANGON

Rising Chinese wages will only strengthen Asia's hold on manufacturing

A SMALL factory in an industrial park outside Shanghai, churning out widgets you never see but probably use, provides a perfect snapshot of the state of global manufacturing today. Some workers at the Integrated Micro-Electronics (IMI) facility affix pieces by hand to circuit boards bound for digital displays on European stoves. Others stand at computers, guiding machines that press together components for cars' steering systems. But IMI is important less for what it makes than for what it represents. A cog in long supply chains, it produces part, but never all, of brand-name consumer goods. It has operations around the world, but makes its most money in China. And it is starting to automate its factories there as wages rise.

Cheap Chinese labour has been crucial to the building of "Factory Asia", the name given to the region's complex of cross-border supply chains. Asia first emerged as a manufacturing power in the 1960s, when Japan began exporting electronics and consumer goods. Taiwan and South Korea followed its lead. By the 1980s Japanese firms were building plants across South-East Asia. But China's opening up was the gamechanger. In 1990 Asia accounted for 26.5% of global manufacturing output. By 2013 this had reached 46.5%. China accounts for half of Asia's output today. The region's share of the global trade in intermediate inputs—the goods that are eventually pieced together into final products—

rose from 14% in 2000 to 50% in 2012.

The China price is under pressure, though. Since 2001, hourly manufacturing wages in China have risen by an average of 12% a year. The yuan has risen to an all-time high against a trade-weighted basket of currencies. Some believe this means that China's days as a manufacturing powerhouse are numbered, adding to the list of worries for an economy already weighed down by heavy debts and a property slump (see page 48). But whereas the housing market is built on wobbly foundations, manufacturing has under-appreciated strengths. The future of Chinese manufacturing, and of Factory Asia more generally, is bright.

A persistent myth about Chinese man-

ufacturing is that the country is only good for assembly, with the more profitable parts of the operation, such as design and marketing, remaining in the West and Japan. According to a study published in 2010, Chinese workers contributed just 3.6% to the cost of an Apple iPhone.

But more detailed studies reveal greater two-way flows with Japan at earlier stages of production. Although Chinese-made smartphones often include chips imported from Japan, those chips typically include plastic casing and wiring imported from China. Today, 65% of the ingredients in goods China sells to the world are made at home, up from 40% in the mid-1990s. As domestic consumption rises, moreover, its own firms are getting better at designing the products its consumers want (think Xiaomi, China's smartphone giant).

By hosting more of the supply chain, China boosts its manufacturing competitiveness and attracts more investment. IMI, for instance, is headquartered in the Philippines and would have preferred to scale up its manufacturing there, where wages and worker turnover are lower. But Michael Hansson, a director, notes that after adding in other costs, such as shipping and tax, China is still cheaper—thanks to the dense cluster of suppliers and customers that IMI now has around Jiaxing, a 40-minute train ride from Shanghai.

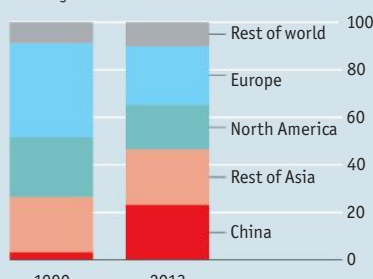
Despite fast-rising wages, China's factories are still far cheaper than their rich-world rivals. Many pay their employees just above the minimum wage, which at about \$270 a month in China is less than a quarter that in America. And they are more efficient than many rivals in the developing world. McKinsey, a consultancy, found that labour productivity increased by 11% a year in China from 2007 to 2012, compared with 8% in Thailand and 7% in Indonesia. With Chinese factories just starting to pour money into automation, there is scope to improve productivity further. China became the biggest market for robots in 2013, buying 20% of all those made that year, according to the International Federation of Robotics. But it still has just 30 robots per 10,000 workers in manufacturing, compared with 323 in Japan. Foxconn, the Taiwanese firm that makes iPhones and has more than a million employees in China, says that it wants robots to complete 70% of its assembly-line work within three years.

Firms are also pursuing lower wages deeper into China. Foxconn once based its China operations mostly in Shenzhen, the manufacturing hub near Hong Kong. It now has large plants in Henan and Sichuan provinces, and is building a facility in Guiyang, one of China's poorest regions.

Cities in China's interior use tax breaks and cheap land to lure foreign investors. They also have a huge labour pool, excellent transport links and a reliable supply of inputs. Hewlett-Packard has shifted from ►

Progress, made in Asia

Manufacturing output
As % of global total



Source: United Nations

► Shanghai to Chongqing, a city of 30m people in China's southwest. Stuart Pann, an HP executive, says that wages are lower and the workforce more stable, since most employees are local (among other things, that means factories can restart quickly after the Chinese New Year, when workers return to their home villages—a perennial headache in coastal China). At HP's prodding, Chongqing built a railway line to carry products overland through Kazakhstan into Europe, reducing transit time from 35 days to 22. Today roughly one in every four laptops in the world is made there. "It would be hard to recreate what China has done," says Mr Pann. "The economics aren't there, nor are the sub-suppliers."

As a result, China has remained surprisingly competitive in low-end production: its share of global clothing exports, for instance, rose from 42.6% in 2011 to 43.1% in 2013, while the price of Chinese-made goods sold in America has fallen by almost 2% over the past three years. That stems partly from China's ability to control costs, not least because of its first-rate infrastructure: six of the world's busiest ten ports by tonnage are in China. But it also points to squeezed margins for Chinese factories.

China cannot hold onto such work forever, nor does it want to. The working-age population peaked in 2012, and the endless stream of people moving from country to city has slowed. Expectations have risen along with incomes; fewer young Chinese are willing to endure the same drudgery their parents did. A series of strikes and disputes over the past year—affecting factories producing goods for Nike, Adidas, IBM and Nokia—show that Chinese workers are increasingly vocal about their rights.

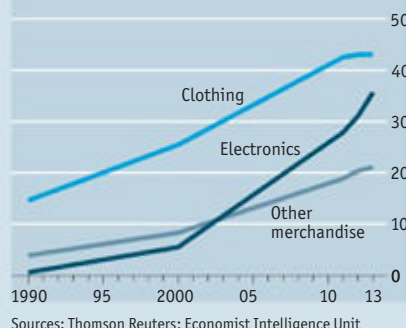
The southward haul

Hence the incipient rise of South-East Asia, which offers a big labour pool with low wages and mostly market-friendly policy environments. The average factory worker in China earns \$27.50 per day, compared with \$8.60 in Indonesia and \$6.70 in Vietnam. Demography is another advantage: China may be ageing rapidly, but South-East Asia's workforce is largely below the global median age of 29.7.

The region's biggest advantage over the rest of the world as production leaves China is simple: it is nearby. For all the benefits of telecommuting, geography matters, both to ensure quick shipment of goods and to let managers hop back and forth between factories. Rising Chinese consumption is particularly helpful to manufacturers located in its environs. As the purchasing power of Chinese buyers grows, the average distance travelled by consumer-goods exports is changing, depending on whether they are shipped from Asia, Europe or North America. From 2008 to 2012, the average journey length for Asian exports fell by 4.5%, while those from Eu-

New-wage manufacturing

China's share of global exports, %



Average monthly wages, 2010 prices, \$



rope and North America rose by 25.9% and 13.7%, respectively. That makes transportation costs cheaper for Asian factories.

Garments are a natural first step in the spread of production out of China: they are low-skill, low-cost and highly transportable. For countries just starting to industrialise, such as Myanmar, they offer an early test of potential. Myanmar's clothing exports jumped from \$700m to \$1.7 billion between 2011 and 2014. H&M, a European retailer, recently shifted sweater production from China to the Myanmar Century Liaoyuan Knitted Wear factory, a Chinese-run facility in outer Yangon. Parts of it look surprisingly like black-and-white pictures of old garment factories: women sit at sewing machines stitching sweater arms to bodies and attaching labels to necklines. Steven Shen, the production manager, says staffing such factories in China has grown difficult: Chinese workers now have "other, better jobs". His factory runs 24 hours a day. He plans to open a similar facility in Bago, north-east of Yangon, later this year.

Advanced manufacturing, too, is starting to trickle out of China: Vietnam, Thailand and Indonesia are picking up electronics work. Indonesia's new president, Joko Widodo, has made no secret of his desire to see his country capture higher-value activities. He has vowed to use money freed by subsidy cuts for infrastructure improvements, and has been wooing investors for his country's port system.

No one country will replace China's role in Factory Asia—the ten-country ASEAN (Association of South-East Asian Nations) region is home to 630m people, less than half China's population—but neither does any single country need to. Advances in communications technology mean that manufacturing can be sliced and diced more easily than in the past.

But the region will have to grow better integrated. ASEAN countries have made progress in removing tariffs, especially on goods, but non-tariff barriers on consumer goods, electronics and the car industry remain high, as do restrictions on services, investment and labour mobility, as well as

customs regulations. According to the McKinsey Global Institute, import/export costs (clearing customs, port fees, inland transportation, and so on) are 24% higher in ASEAN than in China, and the region's customs procedures take 66% longer than the OECD average. Its workers also tend to be less productive. Across the region, countries will have to invest more in education. The mediocrity of infrastructure—compared with China—adds costs.

Trade more, not war war

Politics could yet complicate matters, too. Long-simmering tensions between China and Japan have pushed Japanese firms toward ASEAN; in 2013 Japanese investment doubled in South-East Asia and shrank by 40% in China. Chinese maritime claims have angered neighbours, particularly the Philippines. Some 15 foreign-owned factories were set alight during anti-Chinese protests in Vietnam last year.

But the success of Factory Asia over the past two decades is a sign that Asian countries have been able to put business ties above political disputes. Commerce has brought them closer together. ASEAN nations have a free-trade agreement with China. Japan, China and South Korea are negotiating a deal among themselves. There are also talks, still early, about a broader pact that would tie all countries in the region together, including India. America has left China out of talks to create a pan-Pacific trade zone for now, but its eventual inclusion seems inevitable.

One of the first lessons in Economics 101 is the concept of comparative advantage. Countries with lots of cheap workers should produce labour-intensive goods; rich countries should focus on those requiring plenty of capital. Richard Baldwin, an economist, argues that simply comparing national advantages is outdated. As supply chains spread across borders, regional comparative advantage matters even more. With its bounty of both labour and capital, Asia has already built up a huge lead in manufacturing. It only stands to grow. ■



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Insurance

Risk and reward

Data and technology are starting to up-end the insurance business

DRIVERS buying insurance from Progressive, an American insurer, get a choice: they can either supply a few bits of information about themselves and receive a quote based on the behaviour of similar people, or they can install a small gadget in their car. The device monitors their driving and adjusts the rate they pay accordingly. Those who refrain from braking sharply and stay off the roads at night can earn a discount of as much as 30% on the generic premium. For those who drive relatively little, Metromile, an insurer based in San Francisco, simply charges by the mile.

Discovery, a South African health insurer that has expanded to Europe and Asia, has 3m policyholders who have opted for a similar scheme. They can earn discounts by showing that they are looking after themselves, for example by wearing a device that monitors their fitness or by joining a gym. Oscar, a health insurer in New York, gives all its policyholders a fitness tracker; whenever they hit a set goal (walking 10,000 steps in a day, say) they get a refund of a dollar.

Insurers typically rely on blunter proxies to assess risk—age, sex and marital status, for instance. But assuming that all young, single, male drivers are reckless, for example, and that middle-aged, married, female ones are cautious is often inaccurate. It also involves unfair cross-subsidies: prudent and responsible young men help to pay for lead-footed mums.

Modern technology enables insurers to

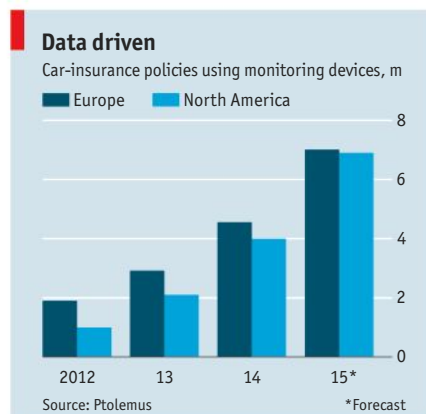
gauge individual risk much more precisely. Monitoring devices provide a wealth of data, as do social media, credit-card histories and other digital records. A pilot scheme in America from Aviva, a British insurer which has since sold its American business, found that analysis of a potential customer's less conventional data, such as online behaviour and spending habits, was as effective in identifying potential health risks as a medical examination including blood and urine tests.

In a similar vein, Michal Kosinski of Stanford University and colleagues at Cambridge University recently found that computers which are fed a person's Facebook "likes" are better than a human analyst at predicting whether they smoke or take drugs. Liking "Big Momma" films, a se-

ries of comedies in which a detective disguises himself as a fat, flatulent grandmother, is correlated with drug use; a love of curly french fries is a strong indicator of intelligence; fans of Honda are unlikely to smoke. Such prying is just the beginning: insurers speak with straight faces about a time when sensors in customers' homes will alert plumbers to weak pipes before they burst, and glucose meters in contact lenses will keep a record of how healthily they are eating.

All of which calls into question the basic logic of the insurance industry—that it is impossible to predict who will be hit by what misfortune when, and that people should therefore pool their risks. "Cherry-picking" low-risk customers and spurning those who will prove liabilities is becoming much easier. In the process, insurers may transform themselves from distant, cheque-writing uncles into ever-present and interfering helicopter parents. The prize for the nimblest will be huge: the industry manages more than \$30 trillion, nearly as much as the \$36 trillion held by pension funds; last year it made \$338 billion in profits.

Data mining and monitoring not only allow insurers to price policies more accurately, but also enable them to modify customers' behaviour. "I think of us as Big Mother," says Brian Vannoni of Guidewire, a firm that analyses data for insurers. Last year Guidewire helped predict the path of a hurricane in Australia, allowing a home insurer to narrow the group of customers whose houses would need extra weatherproofing. Kimberly Harris-Ferrante, an insurance analyst, tells of a client whose database singles out unsafe drivers so that agents can visit them at home in an effort to persuade them to change their habits. Kaiser Permanente, an American health insurer, does something similar with its most at-risk policyholders.



► Progressive tells customers who use its monitors where they tend to drive unsafely and what their foibles are (overly sharp turns, for example). Those receiving such advice crash less. AllLife, which insures people with manageable diseases such as HIV and diabetes, offers them free monthly check-ups. If these show that they are not sticking to their doctors' advice, their premiums go up. Happily enough, people tend to respond by looking after themselves better rather than pay more. Discovery policyholders went to hospital less and ran up lower bills after joining its health-monitoring scheme.

As a result of such schemes, risk pools will become smaller, says Jon Hocking of Morgan Stanley, a bank. Together with the Boston Consulting Group it recently produced a report that predicts that damage to insured homes will fall by 40-60% if all the latest technology is adopted. The risk pools for home and car insurance might shrink by as much as \$109 billion, the report speculates. It also found that insurers using the latest techniques to cherry-pick the best drivers would receive just a ninth of the claims of the most hidebound firms.

Demand for Progressive's prying car insurance grew by 28% last year alone. It now

accounts for over \$2 billion in premiums. This is part of a wider growth in such monitoring schemes, albeit from a low base (see chart on previous page).

A natural consequence of more precise individual underwriting and pricing is that some risks may stand revealed as being so high that they become uninsurable. In some instances, this seems right: the world's worst drivers may need to be discouraged from taking to the road. In other cases, however, such outcomes would raise hard questions: if people looking for medical insurance have a genetic predisposition to a deadly disease, there is less ►►

Buttonwood | Mario's miracle?

European monetary policy has boosted stockmarkets and weakened the euro

ONCE again Mario Draghi, the president of the European Central Bank, is living up to his "Super Mario" nickname. In 2012 he stabilised markets with his pledge to do "whatever it takes" to save the euro. This year he has pulled off a similar trick by adopting quantitative easing—the printing of money to buy assets. This week the ECB started buying government bonds; it was already snapping up asset-backed securities and covered bonds.

The announcement of QE in late January helped revive investor sentiment after a tricky start to the year. Global stockmarkets rose by 5.3% in February, according to Standard & Poor's, with four in the euro zone (Austria, Greece, Portugal and Ireland) posting double-digit gains.

Easier monetary policy is not the only factor behind the rally. Investors were relieved when Greece and its creditors agreed on a four-month extension of its loan programme. That reduced the risk of a Greek exit from the euro zone (although Greece's financial health remains poor).

The sharp fall in the oil price has also acted as a tax cut for European consumers, adding to hopes that the continent's economy is escaping from the doldrums. Citigroup's economic-surprise index for the euro zone, which reflects whether data have underperformed or beaten expectations, has jumped from -57.3 in mid-October to +49.5 on March 9th. The ECB has raised its growth forecast for the current year from 1% to 1.5%; the OECD says it sees "tentative signs of a positive change in growth momentum in the euro area".

No one expects the kind of growth that would make the Chinese envious. But the recent data come in the context of years of unrelenting gloom, when investors seemed to doubt that the euro zone would ever grow at all.

Further positive news has come from



the European banking sector. Since 2008 banks have focused more on strengthening their balance-sheets than on lending to companies. This credit squeeze was bad for growth. But things have been picking up. The broad measure of money supply (M3) grew by 4.1% in the year to January; 12 months earlier, the annual growth rate was just 1.2%. M1, a narrower measure, bears out the trend: its growth has jumped from 6.2% to 9% over the same period.

Large companies have also been able to take advantage of very low yields in Europe's bond markets. The ECB has played a role here too: investors have anticipated the launch of QE by driving government-bond yields sharply lower. The yields on two-year bonds in France, Germany and the Netherlands, among others, are negative. Germany's ten-year bonds yield is just 0.23%, which means it has replaced Japan as the world's lowest-cost borrower.

That has prompted return-chasing investors to pile into corporate debt; the yield on the bonds of Nestlé, a Swiss foods group, has gone negative as well. European companies have not been alone in taking advantage. In the first two months of the

year, American companies issued over €18 billion (\$19 billion) of euro-denominated debt, a 160% increase on the same period in 2014. Coca-Cola alone sold €8.5 billion of bonds. Investors submitted €20 billion of orders for them, even though the firm was offering yields as low as 1.65% on 20-year bonds.

The rest of the world may not be quite so positive about another consequence of the ECB's action: the sharp fall in the euro (see chart). It dropped below \$1.06 on March 11th, its lowest level since early 2003. That is not just a matter of euro weakness; the dollar has been rising against the yen as well, as investors anticipate that, later this year, the Federal Reserve will push through the first rate rise since the financial crisis. The dollar is now at its highest level against major currencies, in trade-weighted terms, since 2003.

That matters for America's exporters. Although its trade deficit is still benefiting from rising domestic production of shale oil and gas, the non-oil trade deficit was nearly \$50 billion in January, more than \$10 billion above the same month last year. And the profits of American companies suffer when foreign earnings are translated into dollars; estimates for profits growth this year have been revised down from 9.1% to 2.1% in recent months.

If European QE is to be positive for the world, rather than just the euro zone, then it has to revive demand, not merely grab market share on behalf of the continent's exporters. The example of Japanese QE is rather patchy in this respect: three of the past five quarters have seen a decline in economic activity (although the effect is obscured by a rise in the consumption tax). Investors clearly have faith that Super Mario's plan will work better.

▶ they can do about it.

Likewise, those who do not want to let insurers look into their private lives risk being penalised. Honeywell, an American multinational, was recently sued, unsuccessfully, by America's Equal Employment Opportunity Commission (EEOC), for asking employees to provide biometric data in exchange for a discount on health policies. The EEOC claimed the discount was so big that it was tantamount to coercion.

Insurers are nonetheless pressing ahead, in part for fear that if they do not embrace the new technologies, others will. A survey by Gartner, a consultancy, showed that nearly half of British consumers would be happy to buy insurance from data-rich companies like Amazon or Google; less than 20% ruled the idea out flatly. Such firms, observers note, have intimate knowledge of their customers and have earned their trust, leaving them much better placed to play the role of Big Mother. Insurers, in contrast, are in touch with most of their customers once a year. "I'm far more concerned about the Silicon giants than about the AXAs and Generalis," admits one director at a big European insurer.

Google has started to dip its toe in the water. In 2011 it bought a website called BeatThatQuote.com, which allows users to compare insurance quotes, among other things. This month it launched a comparison site for car insurance in California and has licences for many more states.

In response, insurers are busy trying to make themselves more like tech firms. Aviva last year hired a Progressive executive, Adam Kornick, as its first "global insight chief". He will help set up a "digital garage" in a trendy part of London, where employees can think big thoughts. Allianz, a German insurer, is spending \$500m a year to update its digital capacities. Much of this will go on the creation of its own data cloud, supported by five data centres around the world, so that it does not have to entrust its data to anyone else.

Partnerships with non-insurers are another way for conventional insurers to smarten up their act. State Farm, one of America's biggest insurers, has teamed up with ADT, a home-security company which allows people to monitor their homes from a distance. FitBit, which makes watch-like fitness trackers, now works with a number of insurers and employers who want to keep tabs on their policyholders or employees. Andrew Rosenthal of JawBone, a competitor, says American health insurers are getting in touch because they "all want to know how to build relations with their customers".

If any group ought to be worried by these changes to insurance, it is not the customers. Underwriters claim theirs is a unique skill that cannot be easily copied. But any decent health monitor would be flashing frantic warnings by this stage. ■

Local-government debt in China

Swapping spree

SHANGHAI

The finance ministry moves to ease local governments' money troubles

EVER since China's gargantuan stimulus of 2009, which was unleashed to repel the global financial crisis, people have worried about how the debts incurred would be repaid. This week the finance ministry provided a partial answer, in the form of a scheme to restructure the liabilities of local governments, the most indebted of China's public institutions.

Local governments will be allowed to

swap 1 trillion yuan (\$160 billion) of their existing high-interest debts for lower-cost bonds. Such swaps could become a feature of China's fiscal landscape over the next few years, given that local debts may have reached as much as 30 trillion yuan, or 47% of GDP, according to Wei Yao of Société Générale, a French bank.

The restructuring does not reduce these vast debts, but it does make them much easier to bear. Local governments can only borrow with the explicit permission of the finance ministry, which is usually miserly. They have responded by setting up companies, which they keep off the books, to raise money (hence the uncertainty about the scale of the borrowing). Such opaque entities, naturally, borrow at higher rates.

Lou Jiwei, China's finance minister, calculates that local governments will save 40 ▶▶

Credit Suisse

Pru grit

An insurance executive takes the reins

INSURERS see bankers as overpaid and amoral; bankers see insurers as would-be bankers who did not make the cut. So the announcement on March 10th that Tidjane Thiam, the chief executive of Prudential, an insurance giant, will become the boss of Credit Suisse, a huge Swiss bank, was bold, to say the least. Credit Suisse's shares rose by 7% on the news, on the assumption that his tenure will be, too.

Mr Thiam's record is enviable. Previous jobs include being a partner at McKinsey, a consultancy, and a spell as a government minister in his native Ivory Coast. In 2002 he moved to Aviva, a British insurer, before taking the top job at Prudential in 2009. Since then the company's shares have risen threefold and its ambitious expansion into Asia has made it the envy of many rivals.

The departing boss, Brady Dougan, a quiet midwestern American, took over in 2007, just before the financial crisis. Although he steered the bank through the turmoil without a government bailout, Credit Suisse has recently had a tougher time. It has had to pay American authorities \$2.6 billion to settle claims that it helped its clients avoid taxes. It is struggling to meet higher capital requirements. Return on equity, a measure of profitability, was under 5% last year. The bank's shares lag embarrassingly behind those of its chief domestic rival, UBS.

Mr Thiam will not start his new job until June, but speculation about his plans is already running wild. He has pooh-poohed talk of a seismic shift. But analysts are assuming, at the very least,



The excitingly dull Tidjane Thiam

that he will pare down Credit Suisse's investment bank, which still accounts for about half of its business. (UBS's relative success is thought to stem in part from its decision to shrink its investment-banking arm.) Instead, Mr Thiam is expected to promote asset management and private banking, Credit Suisse's other main activities, which are more than twice as profitable.

Investing premiums is a big part of an insurance boss's job, of course, so Mr Thiam has chops as an asset manager. But the main qualities every insurance executive must project, and bankers often do not, are cautiousness and farsightedness. In an industry that regulators aim to make duller, those are bankable assets.

▶ billion-50 billion yuan this year alone in interest costs thanks to the refinancing. This implies that they are paying interest rates some 4-5 percentage points above the yield on China's ten-year bonds, of about 3.5%—an unnecessarily steep premium. Such high rates meant the debts were compounding at an alarming rate—something the swap will slow. Creditors will lose some of their expected returns but will gain greater assurance of repayment.

China's other debts, alas, remain a big concern. The cabinet has ruled that only a portion of local governments' concealed liabilities would be treated as full-fledged government debt. Swaps like this one will help show what the government stands behind and what it does not, which may lead to defaults on excluded debt.

In any case, the biggest debtors in China in recent years have been corporate bosses, not local officials. The debts of non-financial companies reached 125% of GDP by the middle of last year, up from 72% in 2007, according to McKinsey, a consultancy. The refinancing programme does not touch them. China's debts may look a little safer, but they are still large and menacing. ■

Turkey's economy

A frenzy about interest

ISTANBUL

The president and the governor of the central bank are at loggerheads

LIKE many other emerging markets, Turkey has been suffering recently from a sharp fall in its currency. The Federal Reserve is partly to blame. The assumption that it will soon raise interest rates has bolstered the dollar at the expense of other currencies. The falling lira is raising the cost of imported goods and thus stoking inflation, just as the local economy is slowing. That leaves Turkey's central bank, like several of its counterparts in the developing world, torn between stabilising the currency



I'll give you a discount if the central bank lowers rates

(and local firms' foreign debts) by raising rates or boosting growth by lowering them. In Turkey, however, there is a unique complication: the interference of the country's president, Recep Tayyip Erdogan.

Mr Erdogan's Justice and Development (AK) party has won three successive elections thanks in part to its strong economic record. Another election looms in June, and Mr Erdogan seems desperate to prop up growth, which increased by a feeble 1.7% year on year in the third quarter of 2014—the most recent period for which data are available. Lower rates, the president believes, are the answer.

In fact, the central bank has been lowering rates, even though inflation is well above the target of 5% and the lira's fall is accelerating (see chart). Yet Mr Erdogan denounced its most recent cut, of a quarter of a percentage point in late February, as insufficient. He accused Erdem Basci, the governor of the central bank, of “selling out the homeland” to the “interest-rate lobby”. A minister called the cautious cuts “cowardly”. Persistent rumours suggest that Mr Basci and the deputy prime minister, Ali Babacan, a favourite among investors, are on the verge of resigning.

“Each time Erdogan opens his mouth about interest rates, the lira falls,” complains an investment banker based in London. It hit a record low against the dollar in early March, and has fallen by 12% so far this year. AK officials breezily insist that a cheaper lira will help boost exports. But the net foreign liabilities of Turkish firms stood at \$183 billion at the end of 2014. Although some earn dollars from exports, most rely on local income (or almost equally debased euros) to service those loans.

Mr Erdogan claims—against all the evidence and in complete contradiction to orthodox economics—that cutting rates will somehow lower inflation. As a devout Muslim, he may also be uncomfortable with usury; he says a rate of zero is the ideal. And the small businessmen who are loyal AK voters tend to borrow domestically in liras, not abroad in dollars.

This week Messrs Erdogan and Basci appeared to declare a truce. The prime minister also released a statement stressing the central bank's independence. But if AK wins a big enough majority at the coming election to change the constitution and hand Mr Erdogan sweeping executive powers, both the truce and the bank's independence will be endangered. ■

Interest rates in the euro zone

Saving disgrace

BERLIN

The variation in deposit rates in Europe is both puzzling and worrying

WHY earn 2% on your savings when you can rake in 0.5%? Peculiar as it sounds, that seems to be the view of many Germans. Despite national anguish at the determination of the European Central Bank (ECB) to keep interest rates at rock-bottom, very few of them are taking the opportunity to earn higher returns by opening accounts elsewhere in the European Union. It is yet another indication, if any were needed, of how the integration of European financial markets has gone into reverse since the crisis.

Interest rates, for both deposits and loans, differ widely among the countries using the euro (see chart on next page). In many cases, the same bank pays depositors different rates of interest in different countries. Deutsche Bank, for example, offers 0.1% for a one-year term deposit in Germany, and 0.75% for the same account in Italy. In theory, such discrepancies should evaporate, as banks move money from places where there is an excess of savings to spots where there is an undersupply. In practice, local regulators impede this, even though banks throughout the euro zone are now overseen by the ECB, which is supposed to take a broader view. ▶▶

The Erdogan effect



Source: Thomson Reuters

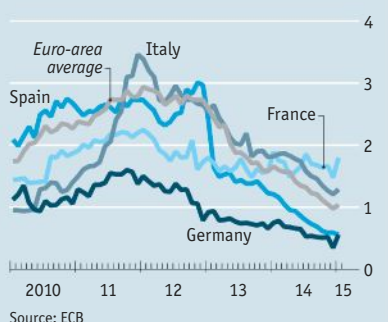
▶ In theory, too, depositors should have no qualms about putting money in any country in the European Union. After all, all European governments guarantee deposits of up to €100,000 (\$106,000). Although these guarantees depend on the solvency of the governments providing them, not even the most crisis-racked EU countries have reneged on them so far.

Moreover, investing across borders is easy. Firms such as SavingGlobal, based in Berlin, allow Germans to open as many accounts elsewhere in Europe as they like without ever visiting a branch, much less learning Portuguese. There is no bureaucracy beyond having to identify themselves at a post office; accounts can be managed online. It even offers euro accounts in EU countries outside the euro zone, to do away with the risk of big currency movements. The differences in returns are large: in Italy, the company's best-yielding one-year account offers 1.6%; in Portugal, it is 2%.

This should appeal to Germans, who have stashed about €2 trillion, some 55% of GDP, in ordinary bank savings and term deposits (most steer clear of investing in

Unaccountable

Average interest rate for new deposits
Personal accounts, maturities of up to one year, %



houses and shares). Yet SavingGlobal, the biggest such firm, has just 17,000 customers. And even they are more inclined to put money in Italy, at a relatively low rate, than in Poland, where both banks and the government have a higher credit rating. In supposedly rational Germany, in other words, emotion seems to play a bigger part in decision-making than logic. ■

Lending to poor farmers

Seeding the market

A non-profit proves that rural collectives make safe and profitable borrowers

“COFFEE is our gateway drug,” jokes Willy Foote, founder of Root Capital. “Then we move on to harder stuff, like cocoa, cashews, quinoa and sorghum.” That is how the firm got started in 1999, after Mr Foote quit his job as a Wall Street analyst, lending \$73,000 to a coffee (and cardamom) co-operative in Guatemala. It has since expanded to 25 countries in Latin America and Africa, and in December set up shop in Indonesia, with a loan of \$550,000 to an organic coffee co-operative.

Root's business is lending to the owners of small farms in poor countries. An estimated 450m of these smallholdings exist worldwide, typically providing a subsistence-at-best income for more than 2 billion of the poorest people on the planet. Mainstream finance has largely ignored them. They face multiple hardships, including land of poor quality, a lack of infrastructure to get their output to market and the constant threat of being wiped out by extreme weather. The lack of access to credit for working capital and investment makes a bad situation worse.

Microcredit outfits dealing in tiny loans of tens or hundreds of dollars have proved that the poorest of the poor can be perfectly responsible borrowers. Root and a

few other specialist lenders are showing the same is true of bigger loans to groups of subsistence farmers. The company says that less than 3% of its loans go bad, a failure rate that would be impressive even among much richer clients.

The loans, which come with free advice and training in how best to use the money, are helping farmers increase their productivity and so boost their incomes. The money also protects farmers from having to sell their wares cheaply to the first available buyer. More than half of Root's borrowers see their income increase by at least 20% a year after receiving a loan; it rises by over 50% for nearly a third of them.

Root has been growing fast, especially since it beefed up its eight offices in poor countries. It has supplied its mixture of credit and technical advice to some 550 borrowers, mostly co-operatives that aggregate the harvests of smallholders. In February its portfolio of loans reached \$100m for the first time. Later this year the cumulative total of loans it has made since 1999 should pass \$1 billion.

So far, Root has capitalised on the growing enthusiasm for sustainably farmed or organic goods among consumers in the rich world. That requires the sort of certifi-

cation of origin rarely offered by the bulk commodity dealers that tend to dominate the market for agricultural exports. Most of Root's borrowers have been existing co-operatives hoping to become links in the supply chains of firms such as Whole Foods Market, Costco, Unilever and Starbucks, which has backed Root's expansion with a low-interest loan of \$15m.

Root itself is a non-profit that has relied on grants for much of its funding. Mr Foote plans to keep it that way, leaving it to commercial lenders to scale up the business of lending to smallholder exporters. Now that Root has shown that the business is viable, he believes, private investors will pile in. Most of Root's loans of \$350,000 or more (around 25% of its portfolio) are profitable at interest rates of no more than 13% a year (well below what microcredit lenders typically charge). Dalberg, a consultancy, reckons the potential market for this kind of lending is \$22 billion, based on the 10% of smallholder farmers who are part of some sort of collective sales organisation.

Currently, only around \$10 billion of this demand is met, mostly by regional development banks that tend to grant heavily subsidised loans directly to individual farmers. Root and six other similar but smaller farm-loan firms together supply around \$350m in credit. In the next five years, it expects that to rise by over 50%, as more private capital enters the market.

As for Root itself, it will start lending to small farmers who sell their crops locally. Mr Foote hopes to show that they are good borrowers too—something he thinks that is best done as a non-profit. Root does not intend to follow the path trodden by microcredit pioneers such as Banco Compartamos in Mexico, which embraced the idea of profits and went on to have a lucrative IPO. He sees Root's job as seeding markets, leaving others to reap the harvest. ■



Crops and credit

Free exchange | The bigger, the less fair

The growing size of firms may help to explain rising inequality

SINCE its publication last year, Thomas Piketty's "Capital in the Twenty-First Century" has ignited a furious debate about inequality in the rich world. He focuses on the increasingly unequal distribution of wealth, and pays less attention to the growing disparity in wages over the past three decades. Yet that disparity is ballooning, too: in America, for instance, the best-paid 1% of workers earned 191% more in real (ie, inflation-adjusted) terms in 2011 than they did in 1980, whereas the wages of the middle fifth fell by 5%. Similar trends can be observed all over the world, despite widely varying policies on tax, the minimum wage and corporate pay.

The standard explanation says that technology plays a big role: modern economies require more skilled workers, raising the pay premium they can demand. A new paper* by Holger Mueller, Elena Simintzi and Paige Ouimet adds a new and intriguing wrinkle to this: the rising size of the average firm. Economists have long recognised that economies of scale allow workers at bigger firms to be more productive than those at smaller ones. That, in turn, allows the bigger firms to pay higher wages. This should not, in theory, cause a rise in inequality. If the chief executive and cleaner at a larger firm are both paid 10% more than their counterparts at a small firm, the ratio between their wages—and thus the overall level of inequality—should remain the same.

But the paper shows that the benefits of scale are not shared equally among all workers. Using data on wages at British firms, they divide workers into nine groups according to how skilled they are. Over time, they find that the proportional difference in wages between the groups grows as firms get bigger. This trend is driven entirely by a rising gap between wages at the top compared with the middle and bottom of the distribution. As the authors note, this is very similar to the trend in income inequality in America and Britain as a whole since the 1990s, when pay for low and median earners began to stagnate (see chart).

The authors suggest two possible explanations. First, larger firms should find it easier to automate tasks than smaller ones, and may therefore find it easier to resist demands for pay rises from relatively unskilled workers who could be replaced by machines. In addition, entry-level workers in the middle of the income distribution may be willing to accept lower pay from big firms since in the long run the chances of winning a promotion are greater than at small firms.

Top hogs

The benefits of size are thus enjoyed only by the most senior workers at a firm, who can extract a bigger premium for their skills and experience. A cleaner at a single shop does the same sort of work as those at a large chain. But managing a multinational firm such as Walmart requires a different—and much rarer—set of skills than that required to run a corner store. Over time this pushes up the salaries of the top brass at Walmart compared with corner-shop managers.

The authors find that the relationship between the growth in the size of companies and the level of inequality holds across the rich world. They looked at data from 1981 to 2010 on wages and the size of largest firms for 15 countries in the OECD, a club mostly of rich countries. The relationship between rising levels of income inequality and the size of firms was strong.

This effect is particularly noticeable in America and Britain, where firms have grown rapidly in recent decades. In America, for instance, the number of workers employed by the country's

The wages of scale

US households, average wage income, cumulative % change since 1980



Sources: Congressional Budget Office; The Economist

100 biggest firms rose by 53% between 1986 and 2010; in Britain the equivalent figure is 43.5%. On the other hand, in places where the size of firms has not changed much, such as Sweden, or where it has shrunk, such as Denmark, wage inequality has grown much less. Part of what is perceived as a global trend towards greater disparity in wages may actually be the result of the biggest firms employing a greater share of workers.

Another new paper**, which looks at manufacturing in America, China and India from 1982 to 2007, suggests that the trend towards bigger firms is only likely to accelerate. Big firms' higher productivity, it argues, raises the barriers to entry for new—and presumably smaller—competitors. Larger factories are more productive than smaller ones, so bigger firms can entrench their position over time. That will skew the income distribution even more. There is plenty of evidence across America and Europe that startup rates for companies are falling, allowing the biggest firms to get bigger unhindered by competition. Since the financial crisis, higher barriers to entry in the form of limited access to capital has caused the number of new businesses to collapse.

Not all economists see this as a dreadful thing. After all, bigger firms have much higher investment rates than smaller ones, which helps to fuel growth throughout the economy. The preponderance of small firms in such places as Greece, Italy and Portugal, seems to be one of the factors holding those economies back.

But if governments wish to reverse the inequality big firms foment, reforms to the labour market are unlikely to do the trick. Instead, they will have to spur competition by reducing barriers to entry for smaller firms, most notably by improving their access to credit. That should reduce income inequality and boost economic growth at the same time.

Voters dislike the growing inequality of incomes, and often agitate for redistributive policies to reverse it. Yet too much crude redistribution can be counterproductive in that it tends to dampen economic growth. The link between firm size and inequality suggests a better option. By boosting competition, policymakers can please both populists and economists at the same time. ■

* H. Mueller, E. Simintzi and P. Ouimet, "Wage inequality and firm growth", LIS Working Paper 632 (March 2015).

** A. Bollard, P. Klenow and H. Li, "Entry costs rise with development", SCID Working Paper 518 (December 2014).

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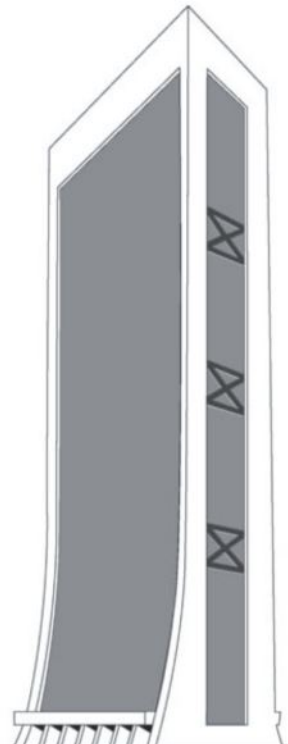
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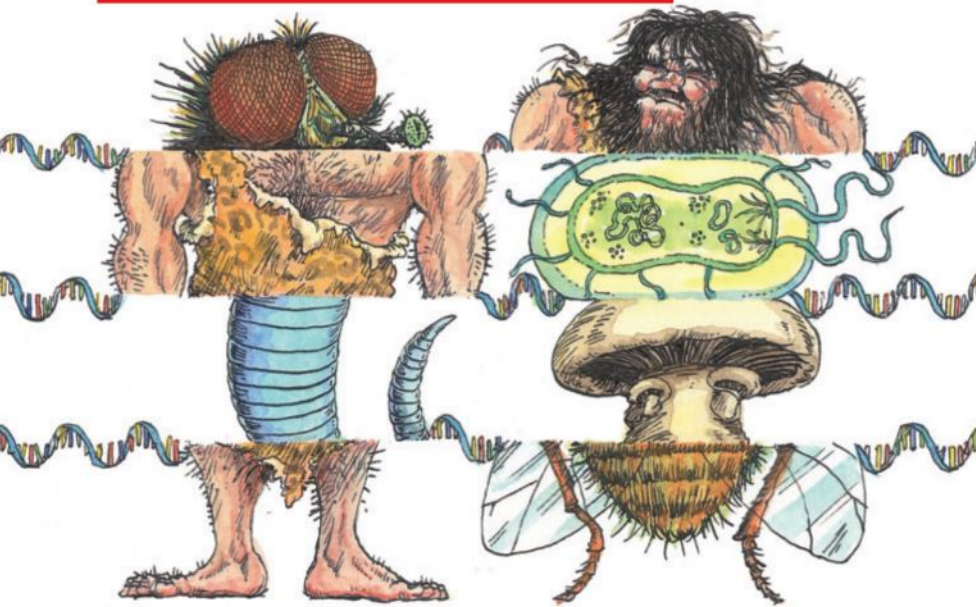
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Horizontal gene transfer

Genetically modified people

Human beings' ancestors have routinely stolen genes from other species

OPponents of genetically modified crops often complain that moving genes between species is unnatural. Leaving aside the fact that the whole of agriculture is unnatural, this is still an odd worry. It has been known for a while that some genes move from one species to another given the chance, in a process called horizontal gene transfer. Genes for antibiotic resistance, for example, swap freely between species of bacteria. Only recently, though, has it become clear just how widespread such natural transgenics is. What was once regarded as a peculiarity of lesser organisms has now been found to be true in human beings, too.

Alastair Crisp and Chiara Boschetti of Cambridge University, and their colleagues, have been investigating the matter. Their results, just published in *Genome Biology*, suggest human beings have at least 145 genes picked up from other species by their forebears. Admittedly, that is less than 1% of the 20,000 or so humans have in total. But it might surprise many people that they are even to a small degree part bacterium, part fungus and part alga.

Dr Crisp and Dr Boschetti came to this conclusion by looking at the ever-growing public databases of genetic information now available. They did not study humans alone. They looked at nine other primate species, and also 12 types of fruit fly and four nematode worms. Flies and worms are among geneticists' favourite animals,

so lots of data have been collected on them. The results from all three groups suggest natural transgenics is ubiquitous.

To avoid getting bogged down in the billions of base pairs of an animal genome the researchers looked at what is known as the transcriptome. This is the set of messenger molecules, made of a DNA-like chemical called RNA, that pick up instructions on how to make proteins from genes in the nucleus and deliver them to the sub-cellular factories which turn those proteins out. Broadly speaking, each type of messenger RNA corresponds to a single gene. By looking at the messengers Dr Crisp and Dr Boschetti could be certain they were recording active genes and not stretches of nuclear DNA that had once been genes but now no longer work.

Useful immigrants

For every transcribed messenger, they searched the world's databases, looking for matches. They excluded the immediate relatives of each of their three groups of animals (that is, no arthropods were compared with the flies, no vertebrates with the primates and no other nematodes with the worms). They then asked whether similar-looking genes to those in a transcriptome were found more often in other animals, or in non-animals. If the former, the most likely explanation would be that they were there by common descent from animal ancestors. If the latter, then, a horizon-

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82 How snails' mating habits kill

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tal gene transfer from species to species seemed the most probable explanation. On average, worms had 173 horizontally transferred genes, flies had 40 and primates had 109. Humans thus had more than the primate mean.

Many of the matches are to genes of unknown purpose—for it is still the case, more than a decade after the end of the human genome project, that the jobs of many genes remain obscure. But some human transgenes are surprisingly familiar. The ABO antigen system, which defines basic blood groups for transfusion purposes, looks bacterial. The fat-mass and obesity-associated gene, the effect of which is encapsulated in its rather long-winded name, seems to come from marine algae. And a group of genes involved in the synthesis of hyaluronic acid originates from fungi. Hyaluronic acid is a chemical that is an important part of the glue which holds cells together. (It is also a frequent ingredient of skin creams.)

Altogether, the researchers found two imported genes for amino-acid metabolism, 13 for fat metabolism and 15 which are involved in the post-manufacture modification of large molecules. They also identified five immigrants that generate antioxidants and seven that are part of the immune system.

This is quite a catalogue. If anything similar were inserted by genetic engineers into corn or cattle, there would no doubt be an outcry. In humans, however, they are doing a good job. It is fair to point out that many of them seem to have been cohabiting with the line that led to humanity for millions of years, and both sides have thus had ample time to adjust. Nevertheless there was once a moment for all of them when they were just as alien as a bacterial insecticide is in a maize plant or a herbicide-resistance gene is in a soyabean. ■

Open-source health apps

Kitted out

CHICAGO

How to volunteer yourself as a citizen laboratory rat

PEOPLE living with Parkinson's disease have good days and bad ones. Researchers do not really understand why. Nor do they understand the strengths and weaknesses of existing treatments for Parkinson's—nor even the unmet needs of people who have the disease. The same is true of other chronic illnesses, from Alzheimer's to diabetes to heart disease. Those researchers might understand better, though, if they were able to track the day to day symptoms of large numbers of people who suffer these conditions.

Smartphones, and other mobile devices worn or carried almost continuously by many, offer a way to do so. They are packed with sensors, particularly accelerometers and GPS tracking devices, which can record movement and exercise. Apple's new watch, announced this week (see page 63), measures its wearer's heart rate and can supposedly work out whether he is standing, sitting or going up or down the stairs. Moreover, such devices can easily be linked by Bluetooth to other bits and pieces, such as Fitbits or Pebble watches,

that the user is wearing—and even to high-tech versions of good old bathroom scales. Specific pieces of equipment such as portable blood-analysis kits can also be linked to phones. A plethora of data are thus available, if someone were able to record and interpret them.

In the past, this has been expensive to do. Anyone wishing to create apps for the task would have had to hire a costly team of coders. But that has now changed. This week Apple—in an announcement a little more sotto voce than that of its watch—introduced the world to a suite of software called the ResearchKit, which will make it possible to create scientific apps that work with its mobile devices more easily and cheaply. The ResearchKit is “open source”, meaning anyone who wants to will be able to use it to design data-collecting apps that take advantage of the features of those devices. Because it is open source, people will be able to customise and share code, which will encourage innovation.

Todd Sherer, head of the Michael J. Fox Foundation, a charity concerned with Par-

kinson's disease that has worked on one of the first apps to use the ResearchKit, says another crucial part of the system is that it lets scientists streamline the process of obtaining informed consent for their research. Potential participants can watch a video and answer questions about what they understand the research entails before they are allowed to sign up.

The app the Fox foundation has been working on, known as “mPower”, is intended to find ways of tracking the symptoms of Parkinson's. It can measure someone's finger-tapping on an iPhone's screen, to detect inconsistencies in rhythm. The phone's accelerometer studies gait and balance while the user is walking. Its microphone can help detect minute fluctuations in his voice. All of these data provide information on his well-being.

App-lause from the gallery

There is also an app for diabetes, called GlucoSuccess, developed by the Centre for Assessment Technology and Continuous Health, in Boston. This keeps track of physical activity and helps those with diabetes to record their food intake and glucose values. And Asthma Health, devised by Life-Map Solutions, a firm in New York, tracks an asthmatic's symptoms and lets him avoid places with poor air quality.

In all these cases the apps are being used for long-term research, but also offer participants insights into their condition. This will make research more of a two-way process, with benefits for everyone. Diabetes patients will be able to see their best and worst glucose days, and work out how these may be related to their food consumption or exercise regimes. Those with Parkinson's disease might be able to recognise better the signs and symptoms of their illness. Asthma sufferers could gain insight into what is triggering their attacks.

Although mPower, GlucoSuccess and AsthmaHealth are not yet intended for use by doctors, patients will probably soon be rolling up in surgeries with their iPhone data. In the short term that might not be particularly helpful. In time, though, when the apps move out of the research phase, they should be able to generate data that doctors really can use, and which could thus form part of someone's health record.

One criticism of this approach is that iPhone users are hardly a random sample of humanity. They are usually wealthy and well-informed, and are probably more fastidious about their health than many other people. This is true, but a lot of research is already conducted on non-representative parts of the population—university students, for example. Such is the reach of smartphones that it is likely ResearchKit will attract larger and more diverse groups of people than these. The world needs laboratory rats, and the affluent will do as well as anyone. ■

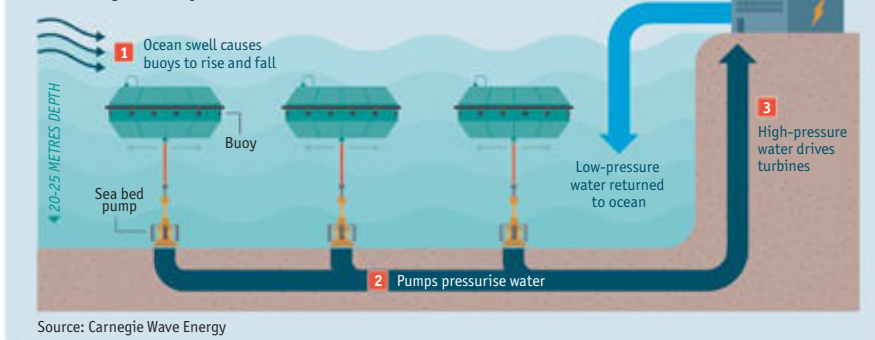


Chasing the sun

On March 9th André Borschberg, a Swiss fighter pilot and engineer, took off from Abu Dhabi at the controls of this flimsy solar-powered aircraft, *Solar Impulse 2*, on the first leg of a journey around the world. Despite its 72-metre wingspan, the plane has room for but a single pilot—a job Mr Borschberg will share with Bertrand Piccard, a psychiatrist and balloonist who helped start the Solar Impulse project a dozen years ago. Flying east, the two will take turns to complete the 12 legs of the trip over (they hope) the next five months. The most difficult stretches, such as an 8,170km flight across the Pacific from Nanjing to Hawaii, mean spending five days continuously aloft. The plan is to climb during the day to 8,500 metres while the 17,248 solar cells on the plane's wings and fuselage both drive the four propellers and top up the batteries. At night the pilot will descend gradually to 1,500 metres, eking out the electricity until sunrise as he does so.

The ups and downs of modern sea power

Generating electricity from the ocean's swell



Renewable energy

Looks swell

MELBOURNE

A new project off the coast of Australia may make wave power a reality

NO LAND stands between Antarctica and Australia's west coast—just a vast ocean, rippled and rocked by the Roaring Forties. For centuries these westerlies, which blow between latitudes 40° S and 50° S, powered ships sailing from Europe to Asia. These days, they are also creating waves in the world of renewable energy. At the end of February, a demonstration project designed to use the ocean swell they produce went live. As a result Australia's largest naval base now gets part of both its electricity and its fresh water courtesy of the 'Forties.

Carnegie Wave Energy, in Perth, has been working since 1999 on what it calls CETO technology. Ceto was the ancient Greek goddess of sea monsters, and Carnegie's particular monsters are buoys that resemble giant macaroons. They float a metre or two below the ocean's surface, bobbing up and down in the swell and generating electricity as they do so. The current version, CETO 5, has a capacity of 240kw per buoy. Three of the beasts are now tethered to the sea bed 3km from HMAS Stirling, on Garden Island. They also help to run a desalination plant on the base, for fresh water is a valuable commodity in Western Australia's arid climate.

The buoys themselves are 11 metres across, made of steel and filled with a mixture of seawater and foam to give them a density slightly below that of water, so that they float. Being submarine means that, unlike previous attempts to extract power from waves, they are not subject to storms and the constant battering that life at the interface between sea and air brings. As Michael Ottaviano, Carnegie's boss, observes, savvy swimmers in Australia know to dive under—not through—an ap-

proaching wave, to avoid getting smashed. The same applies to buoys.

Even below the surface, though, the swell is enough to generate power. Each buoy's rising and falling drives, as the diagram shows, a pump attached to the seabed at the bottom of that buoy's tether. This pump pushes water through a pipe to a power station on Garden Island. There, the water's pressure spins turbines that turn a generator. This arrangement produces about 5% of the base's electricity.

The pressure can be put to a second use, too—to run a process called reverse osmosis, which removes salt from water. Osmosis happens when a solution of salt and a body of pure water are kept apart by a membrane permeable to water molecules, but not to the ions of which salt is composed. The resulting "osmotic" pressure on the water propels it into the brine through the membrane. Apply sufficient physical pressure to the brine, though, to overcome the osmotic pressure, and H₂O will go the other way—which is a neat trick if you want to desalinate seawater.

Creating the necessary pressure requires a lot of energy. Reverse-osmosis desalination plants thus tend to guzzle diesel or electricity. But CETO 5 dispenses with all that. It delivers water at a high enough pressure for reverse osmosis to happen automatically. As a result, about a third of Stirling's freshwater comes from desalination driven by wave power.

Carnegie aspires to bigger and better buoys it hopes will generate a megawatt each when launched in 2017. These versions, CETO 6, will be 20 metres across and will produce electricity inside themselves instead of at an onshore power plant. That means no pipe is needed; a submarine

power cable will do instead.

This is just as well, because the idea is to site CETO 6 further offshore, where the swell is greater but the difficulties of installing a pipe are too. Nor is there any need, in the case of CETO 6, for machinery on the seabed to regulate the flow of water into the pipe. That reduces both capital and maintenance costs. And CETO 6 units are designed to be self-contained, so they can be towed back to land for upkeep.

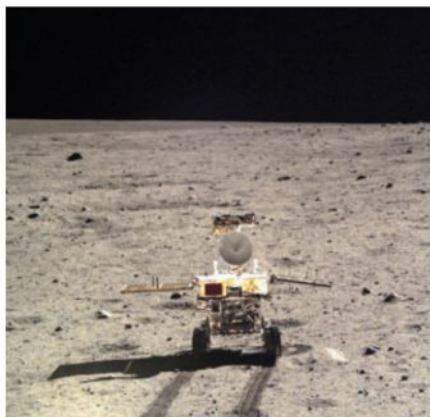
The lack of a water pipe means, of course, that CETO 6 will not be able to run a desalination plant directly. But in most of the world, where rain is more plentiful than it is in Western Australia, reverse osmosis is a niche application. And, if desalination really is desired, part of the electricity produced can be diverted to that use.

The extra swell and lower running costs mean that CETO 6's electricity will be cheaper than CETO 5's. Mr Ottaviano reckons that if CETO 5 were deployed en masse, in "wave farms" with a capacity of 25MW, it could produce electricity at a cost of 30-40 US cents a kw-hour, which is competitive with diesel. At a similarly large scale, CETO 6's electricity would, Mr Ottaviano says, cost about 20 cents a kw-hour. Ultimately, he thinks, economies of scale could bring that down to 12-15 cents a kw-hour for a 100MW wave farm. That is about the same as the cost of grid electricity in this part of Western Australia, allowing for the subsidy now given to renewable energy sources.

Carnegie also has its sights on markets farther afield. Military bases around the world need secure supplies of energy and water. And wave energy is attractive to island countries like the Maldives that must, at the moment, import fossil fuel at some expense. Whether submarine wave power of this sort will ever become truly mainstream is moot. But Carnegie is showing that, in appropriate circumstances, it could indeed have the wind behind it. ■



Riding a monster



Lunar science

Making tracks

What China's lunar rover found

DESPITE being Earth's nearest neighbour, the Moon has been a lonely place for the past three decades. Space probes have voyaged to the outer solar system, rovers have landed on Mars and orbiting telescopes have discovered thousands of worlds around other stars. But until this decade nothing, robot or human, had landed on the Moon since August 9th 1976, when *Luna 24*, a probe belonging to the Soviet Union, set itself down in Mare Crisium, just north of the lunar equator.

That changed on December 14th 2013, when China became the third power, alongside America and the USSR, to land successfully on the lunar surface. *Chang'E 3*, the craft that did so, then deployed a small rover called *Yutu*, or "Jade Rabbit" (pictured above), which travelled for 114 metres before getting stuck. This week, in a paper published in *Science*, a team led by Xiao Long of the China University of Geosciences, in Wuhan, laid out some of *Chang'E 3*'s early scientific results.

Beyond the constant pitter-patter of meteorite strikes on its surface the modern Moon is thought to be geologically dead. But it has not always been this way, and *Yutu*—which is equipped with a ground-penetrating radar—has shed some light on the body's past. *Chang'E 3*'s landing site was Mare Imbrium, the remnant of a giant impact crater formed 4 billion years ago. Peering hundreds of metres beneath the mare's surface, the rover was able to discern at least nine distinct strata. Some of these are remnants of recent impacts, which leave layers of fine, powdered rock across the surface. Others, deeper down, are lava flows from volcanoes that, according to data from *Lunar Reconnaissance Orbiter*, an American spacecraft, may have

Conflict between the sexes

Till death us do dart

Snails' mating strategies reveal an intriguing corner of evolution

THE complexities of human courtship pale into insignificance when compared with those of snails. For a start, snails are hermaphrodites—meaning each has to size up a potential mate from both the male and the female points of view. And, for snails, Cupid's arrow is no metaphor. When mating, these molluscs often fire tiny, limestone darts at each other as part of the preliminaries.

Snail darts are covered with a secretion that closes off blind alleys in the egg-fertilising machinery of the dartee, ensuring the sperm of the darter goes to good use. Snails often mate with several partners before laying eggs, and it is thought the dart's coating also serves to reduce the chance of re-mating, perhaps by causing more sperm to be stored. In this the darts serve a bit like the mating plugs used by many male insects to block the female's sexual passage after congress. Among hermaphrodites, though, both parties can be affected.

Darts seem to cause only superficial damage to those they hit. But Kazuki Kimura of Tohoku University, in Japan, wondered if they create more subtle long-term problems. He therefore did an experiment on *Bradybaena pellucida*, a local species.

As he reports in the *Proceedings of the*

Royal Society, he started with 250 *Bradybaena*. He set aside 100 that had mated once (for a snail can make darts only after its first mating) and 100 that had not. He then mated these with the remaining 50, which were also virgins at the beginning of the experiment. Half of the 50 "focal" animals were matched only with virgin partners, and so never got darted. The other half were always matched with experienced snails, and so were darted frequently. Dr Kimura recorded how many times each of the focal animals laid eggs, how many eggs each clutch contained and how long each snail lived.

The sizes of clutches were similar in both groups. Darted snails, however, laid fewer of them—which was hardly surprising, because they lived for an average of 44 days, whereas their undarted confrères managed 60. In sum, darted snails laid about a third fewer eggs over their lifetimes than undarted ones did.

It may seem odd that darting should shrink lifespans and productivity for both participants, but such is life at the sharp end of evolution, where the pursuit of self-interest frequently leads to suboptimal outcomes for all concerned. If there is a moral for the snails, though, it is that deflowering virgins is the surest route to a long and fecund life.



Battle of the multisexes

stopped erupting a mere 100m years ago.

Interesting, then, if not revolutionary. But space exploration has always been as much about earthly PR as about science. On this front, the mission has been a big success. Its landing was flawless, and even when the rover got stuck China's deft handling of the matter turned a scientific setback into a PR success, with *Yutu* broadcasting plucky messages from its official

Twitter account.

Chang'E 3 will probably not be the last Chinese visitor to the Moon. Even if the country's somewhat vague plans for a crewed landing and perhaps even a permanently occupied base fail to come off, several more robotic missions are planned. *Chang'E 5*—which is designed to return a sample of the lunar surface to Earth—is scheduled for launch in 2017. ■



A dissident in China

The power of one

The story of Chen Guangcheng illustrates how a single determined dissident in the Chinese countryside can take on a repressive government—and win

THE departure from Beijing on May 19th 2012 of Chen Guangcheng, his wife and two children on a plane bound for America marked the end of the most dramatic story of a dissident's escape from persecution in Communist-ruled China. Mr Chen's flight from imprisonment in his own home, where he had been kept under watch by hundreds of guards; his arrival at the American embassy in Beijing with Chinese agents in hot pursuit; and the high-level wrangling between America and China that eventually allowed him to head into exile, had the trappings of a Hollywood thriller. And to cap it all, he is blind.

"The Barefoot Lawyer", Mr Chen's memoir of his struggle with the thuggery of the state in the poor village in eastern China where he grew up, and of his eventual flight, is a powerful reminder of how some aspects of the country remain unchanged despite its rapidly growing prosperity. The tyranny he describes in his part of the countryside is perhaps at the extreme end of a range of rural, political climates. But many farmers across China will recognise the untrammelled power of local officialdom that Mr Chen endured, even if their own dealings with it may not always be so grim.

There is an encouraging theme in Mr Chen's story, too. Despite the horrors that he and many of his fellow villagers experienced, some ordinary Chinese are growing more daring. Mr Chen's efforts, as a self-

The Barefoot Lawyer: A Blind Man's Fight for Justice and Freedom in China.

By Chen Guangcheng. Henry Holt; 352 pages; \$30. Macmillan; £20

taught expert in the law, to expose one particular abuse—the subjection of 130,000 people in his prefecture, Linyi, to forced abortions and sterilisations—is an example of a kind of grassroots activism that has become increasingly common in recent years. The penalties for such outspokenness can be severe: Mr Chen was imprisoned for four years before he was put under house arrest in 2010, with goons deployed to prevent him escaping or receiving visitors. Those who tried to penetrate the cordon were often roughed up.

But it is Mr Chen's dogged determination to scale another wall around him—the ubiquitous prejudice against the blind—that makes his memoir truly inspiring. "People had looked down on me from the time I was small: I was defective, incapable of providing for myself, not worth investing time and effort in," he writes. Mr Chen began his primary-school education around the age of 18 at a state-run boarding school for the blind, where he had too little money to afford to buy enough food; he ended up severely malnourished.

Such injustices turned Mr Chen into a campaigner. He and his wife, Yuan Weijing, toured rural areas to record abuses by

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the local family-planning authorities, against whom they attempted to bring a class-action lawsuit. Ms Yuan's courtship of Mr Chen in defiance of her parents' wishes (his blindness and poverty did not endear him to them) is another remarkable subplot. So too is their own decision to defy the one-child policy, for which officials tried to fine them tens of thousands of yuan—the equivalent of several years' income for the average Chinese farmer. He put them off, saying he would have to borrow the money. They gave up; he was confined to his home and could not leave.

Mr Chen's combative spirit seems never to desert him. His flight from his village to the American embassy is gripping. Only his wife knew about the escape plan, he says; he considered it too dangerous even to tell his mother. On his own, over the course of several hours in daylight, he climbed a series of walls from one neighbouring house to the next, choking back the pain of a broken foot. After nightfall, he made a break for it, under the spotlights set up by his captors. Beyond the village, relatives and friends helped him make it to Beijing, where one of them persuaded him to seek refuge at the American embassy.

American diplomats saw his firmness; to their frustration he changed his mind about a plan, painstakingly agreed on with Chinese officials, that he stay in China and be allowed to study at university. Not trusting the government, he asked to leave for America instead. Negotiations between the two countries had to begin afresh. This was an embarrassment for America's then secretary of state, Hillary Clinton, who was visiting Beijing at the time.

The realpolitik of America's diplomacy with China irks Mr Chen, who says he once believed "with every cell" in his body that America had "both the commitment and the strength to protect the rights of the ►►

individual over the interests of a dictatorship.” He believes that American officials wanted him to leave the embassy as soon as possible in order to avoid harming their country’s relations with China. He suspects them of trying to sell him a plan based on weak assurances from the Chinese that his persecution would end. “When negotiating with a government run by hooligans,” he writes, America “had simply given in”.

But the administration did manage to persuade China to let him leave the country. This was a climbdown by Chinese officials, who were said to be so enraged that they wanted to brand him a traitor. Numerous dissidents had made it to America before, but since the aftermath of the Tiananmen Square protests in 1989 none had been helped so overtly by the Americans.

It would have been easy for Chinese police to seize Mr Chen: he had left the embassy for treatment in a Beijing hospital. Realpolitik, however, pervades the diplomacy of both countries. China was clearly as anxious as the Americans were not to let the case damage a vital relationship. Mr Chen, for all his grumbling, picked the right embassy to run to. ■

Concentration camps

Killing field

Ravensbrück: Life and Death in Hitler’s Concentration Camp for Women. By Sarah Helm. *Nan A. Talese*; 743 pages; \$37.50. Little, Brown; £25

AS SHE searched for survivors of Ravensbrück, a concentration camp 50 miles (80km) north of Berlin, Sarah Helm came home one day to find a French voice on her answering machine. The message was from Louise Le Porz, a doctor from Bordeaux, who asked her to visit. There was much to talk about, she said to Ms Helm, a British journalist. “But you’d better hurry. I’m 93 years old.”

A sense of urgency infuses this history, which comes just in time to gather the testimony of the camp’s survivors. Ravensbrück has had far less attention than Auschwitz and other Nazi death camps. What happened there was covered up. The files were burned as the Allies drew near in 1945. Later, Soviet tanks bulldozed the buildings. The camp’s history soon became divided, like Europe. East Germany had its own, selective version, stressing the heroism of the communists among the inmates; the West, without ready access to the site and with evidence from war-crimes trials on the camp classified as “secret”, largely ignored it. In the late 1960s

some historians even started to question the existence of the gas chambers there.

Yet Ravensbrück deserves to be remembered. It was Hitler’s only concentration camp specifically for women. Towards the end of the war, as other camps emptied, it became the engine of the Nazi killing machine on the orders of Heinrich Himmler, without even the pretence of an ideological reason, however perverted. This was killing for the sake of killing.

About 130,000 women passed through the camp. Ms Helm estimates that 40,000–50,000 died. Jews made up only about 10% of the prisoners. The rest were communists, Jehovah’s Witnesses, gypsies, prostitutes and women simply swept up by the events of the war in Europe. By 1944 the camp held women of 21 nationalities; besides Germans, the largest groups were Poles, Russians and French.

Many of the prisoners were desperate for the world to know about the horrors taking place there. “We need to make a film to show everyone that this really happened,” said an Austrian prisoner, Käthe Leichter, in early 1942. “And you’ll see, even when it is all over no one will believe us.”

Women taken away on the first death transports hid notes for their friends in the camp to find when their clothes were returned there, telling them where they were being taken. Using urine as invisible ink in otherwise censored letters, Krysia Czyz and other Polish prisoners told their families about the obscene medical experiments being carried out on them; in 2010 Czyz’s daughter discovered 27 of these secret letters hidden in her grandmother’s old rolling pin and a chopping board. After the war Soviet censors stopped Antonina Nikiforova, a Russian doctor brought to Ravensbrück in 1944, from publishing her account, but she refused to give up and asked fellow Red Army survivors to write to her with their memories; their letters recently reached the camp archive.



No longer skirting the issue

Others were less keen to trumpet the truth. The Red Cross in Geneva was told in 1943 that Polish women in Ravensbrück were being injected with gangrene to test new drugs and having healthy limbs amputated as part of an experiment about transplants. Yet it stayed silent, preferring, it said, to “work behind the scenes”. Ms Helm also criticises the evasive and “mealy-mouthed” response to questions put to Siemens, which operated a factory at the camp producing electrical parts for fighter planes.

Yet the details are now pouring out, in such abundance that they seem hard to control at times. Survivors want to talk, documents from war-crimes trials have been released, archives have been opened after the collapse of Soviet rule. All this enables Ms Helm to piece together the camp’s “biography” with meticulous, unblinking thoroughness. Her book comes not a moment too soon. ■

Shame in the modern world

Infamy, infamy

Is Shame Necessary? New Uses for an Old Tool. By Jennifer Jacquet. *Pantheon*; 209 pages; \$24. Allen Lane; £17.99

So You’ve Been Publically Shamed. By Jon Ronson. *Riverhead Books*; 290 pages; \$27.95. Picador; £16.99

RAGE over bankers’ bonuses and tax avoidance stalls at a familiar impasse: one side points out that the miscreants’ behaviour is perfectly legal; the other avers that it is still wrong. It is in the resolution of such stand-offs, says Jennifer Jacquet, an academic in New York, that shame comes into its own. “Is Shame Necessary?” is her thought-provoking treatise on the soft power of opprobrium, and its important role in achieving social cohesion in an ever more individualised culture.

In a market society where almost every ethical principle has its price, an appeal to a disinterested sense of civic duty seems at times nostalgic, if not futile. But bring someone’s reputation into it, and suddenly you get results. From community-sanitation programmes in Bangladesh—flagging roadside turds to shame public defecators into changing their behaviour—to successful American initiatives to embarrass high-end tax-dodgers into coughing up, governments and activists alike have cottoned on to the effectiveness of shaming.

It is a particularly valuable tool for campaign groups whose grievances cannot get much of an airing in mainstream politics. That includes the League of Conservation ►

► Voters, whose annual “Dirty Dozen” list exposes the American politicians with the worst voting records on environmental issues; or the trade unions in New York and Chicago that deploy giant inflatable rats to draw attention to industrial disputes.

The implicit message of “Is Shame Necessary”, about the importance of collective social responsibility, is timely and urgent—particularly about inequality and climate change. It is a shame, then, that the author lapses all too frequently into turgid technocratic monotone. A chapter on “How Norms Become Normal”, which includes an excruciating passage about “norm entrepreneurs” (perhaps the only time readers will encounter Mahatma Ghandi, Martin Luther King and Jamie Oliver in the same list) is especially gruelling.

Where Ms Jacquet celebrates shaming’s democratising potential, Jon Ronson is more wary. “So You’ve Been Publicly Shamed” is a cautionary tale about 21st-century digital lynch-mobs. Mr Ronson presents a rogues’ gallery of assorted transgressors, such as the hapless Justine Sacco, who lost her carefree PR job and became a worldwide hate figure after a tweet she



wrote was judged to be racially offensive, and went viral; and Jonah Lehrer, an author who was exposed as a plagiarist, then publicly begged forgiveness in front of a giant screen streaming a live Twitter feed of brutal audience derision.

Such episodes belie the customary moralist’s refrain that these are shameless

times. On the contrary, shame is alive and well; what has changed is who is doing the shaming. Old-guard tabloid proselytisers have found themselves increasingly outflanked by an army of social-media foot-soldiers who can be every bit as sanctimonious and vindictive as the *déclassé* opinion formers of the analogue past.

Fear of exposure has opened the door to hundreds of “reputation-management” firms who will, for a fee, produce generic, unembarrassing content to push unflattering stories down to the third or fourth page of a Google search and into relative obscurity. More recently, the European Court’s ruling on the “Right to Be Forgotten” offers some degree of redress for certain convicted wrongdoers. This is scant comfort, however, for the Justine Saccos and Jonah Lehrers of this world.

Mr Ronson’s worry is that the fervour for online “citizen justice” will have unintended consequences; people may be sleepwalking into a “Clockwork Orange” dystopia, where exuberance and eccentricity are shut down by the fastidious whims of a bullying, puritanical critical mass. A sobering thought. ■

Alfred Hitchcock

Join the dots

Alfred Hitchcock: The Man Who Knew Too Much. By Michael Wood. *Amazon/New Harvest*; 129 pages; \$20 and £8.99

ALFRED HITCHCOCK, the unchallenged master of suspense, had surprisingly little time for mystery. “In the usual form of suspense,” he told François Truffaut, a French director, “it is indispensable that the public be made aware of all the facts involved.” The uncertainty lies in how information is revealed, or re-revealed. The same might be said for any biography of Hitchcock himself, of which Michael Wood’s volume is the latest. The director of such cornerstones of the genre as “Psycho” and “Vertigo” (voted the greatest film of all time by *Sight & Sound* magazine in 2012) has been so amply scrutinised by film scholars and film-makers that most new studies can only aim to reconfigure existing insights with subtly different implications.

At its most elegant, this slim contribution to the Hitchcock library, by a professor of literature at Princeton, surprises with the splintered connections it makes between individual films and other points of culture and politics. In one exhilarating chapter Mr Wood unapologetically breaks academic form for a free-associative join-the-dots game

between the lush film-star swoon of “Notorious”, the postmodern appreciation of Jean-Luc Godard and “Memory of the Camps”, a little-remembered Holocaust documentary on which Hitchcock advised. As the author races through such shifting mini-essays the reader starts to wish for a longer format than that permitted by the publisher’s snappy new Icons series; its subjects have run the gamut from Jesus to J.D. Salinger.

At the very least, Mr Wood seems eager to be released from the project’s biographic obligations: Hitchcock’s working-class, East End upbringing and 54-year marriage to Alma Reville, his creative collaborator, are dutifully sketched out, but rarely link up the book’s more resourceful passages of criticism. The need for brevity also steers Mr Wood into skimpy armchair psychology, and he deduces his subject’s state of mind from file photographs. Even without such content, 129 pages would scarcely be enough to discuss Hitchcock’s oeuvre. As it is, a title as canonised as “Rear Window” barely rates a mention. Still it is the films themselves that yield the richest discussion—an extended analysis of “Strangers on a Train” is a particular pleasure—in a book that is less a primer than a post-viewing companion.

Nelson Mandela and Margaret Thatcher

Much to be thankful for

The End of Apartheid: Diary of a Revolution. By Robin Renwick. *Biteback*; 184 pages; £16.99

THIS is the chronicle of a diplomat who did more than any other to facilitate the transition from apartheid to democracy in South Africa. Robin (now Lord) Renwick had previously pulled off a similar feat by coaxing Southern Rhodesia into becoming Zimbabwe. He was Britain’s chief behind-the-scenes Foreign Office fixer for Margaret Thatcher and her foreign secretary, Lord Carrington, in the twists and turns of diplomacy culminating in the Lancaster House conference of 1979.

It was natural, therefore, that Thatcher should pick him to be Britain’s ambassador to South Africa in 1987, with the job of ensuring that Nelson Mandela was freed and his country set on an irreversible path to democracy. Lord Renwick’s diaries, which draw on many of the dispatches he sent to Whitehall and which have now been published under a special waiver to the 30-year secrecy rule, offer a string of insights into the tortuous process towards that miraculous outcome.

In particular, they seek “finally to rest the contention that Thatcher was ‘a friend of apartheid’ and called Nelson Mandela a ‘terrorist’ (which, as a matter of fact, she ►►

▶ never did’), writes Lord Renwick, while conceding that the prime minister injudiciously called the African National Congress (ANC) a “typical terrorist organisation” after it had threatened to blow up British-owned businesses in South Africa as part of its liberation campaign. After meeting Thatcher in Downing Street months after his release, Mandela declared, “She is an enemy of apartheid.” He later freely admitted that his country had “much to be thankful to her for”.

Indeed, Lord Renwick’s crisp and candid record shows beyond dispute that Thatcher was the most effective of leaders outside South Africa in nudging the parties and their main leaders—Mandela and Frederik de Klerk (always known by his initials, FW)—towards the negotiations that led to South Africa’s freedom under a universal franchise in 1994. While the Americans were engrossed in overseeing the collapse of the Soviet Union, Thatcher, via her envoy, relentlessly bombarded first President P.W. Botha and then his successor, Mr de Klerk, with missives demanding that they free Mandela, unban the ANC, dismantle apartheid and let people choose their own government, while assuring them that she sought to end South Africa’s isolation as soon as possible.

In this respect she stuck to her view, which contributed to her reputation as soft on apartheid, that economic sanctions (as opposed to the arms and oil embargo which she endorsed) would not help end the regime. After Mr de Klerk began to negotiate with Mandela and the ANC, she continually advocated a gradual easing of sanctions, whereas the wider anti-apartheid movement argued for keeping and even intensifying them until the transition was complete.

Lord Renwick shows that Mandela, for his part, was often trapped between the demands of the ANC and his own instincts for encouraging more give-and-take as diplomacy and then formal talks proceeded. At times he felt forced to “engage in rhetoric and defend positions he did not really believe in”. Thatcher did, however, persuade him quietly to drop—or at least to edge away from—his initial demand, in keeping with long-standing ANC policy, for the economy’s nationalisation.

Lord Renwick’s own role in prodding the process along is well chronicled, not just by these extracts from his diaries which he selected himself. Among foreign diplomats in South Africa, he won unrivalled access to representatives of every ideological stripe and skin colour. At times South Africans attending meetings in the British embassy asked in frustration, puzzlement and envy why such events could not take place elsewhere in their country. He may have been the last British diplomat on the continent to have achieved such influence for the good. ■

Vatican Museums

Full to bursting

What to do about overcrowding in holy places

THE Sistine Chapel in Rome is one of the holiest sites in Christendom, the place where innumerable popes have been elected across the ages. It is also a popular tourist destination. The Vatican Museums (of which the chapel is, to many, the jewel in the crown) attracted a record 5.89m visitors last year, almost as many as the Metropolitan Museum of Art in New York, which is nearly five times bigger. The crowds are a financial boon. According to the director, Antonio Paolucci, the museums generate around €80m (\$87m) from ticket revenue each year and another €20m from merchandising and corporate hospitality. Of that total, roughly half goes toward the museums’ costs (including paying for a staff of 800) and the rest is surplus revenue for the Vatican City.

But the crowds also pose a problem. Four times as many people visit the Sistine Chapel as did in 1980; on the busiest days more than 25,000 visitors a day pass through. Even in quieter periods, crowds wrap around its fortified walls, battling away selfie-stick vendors and touts offering unofficial queue-jumping tours. The carbon dioxide (CO₂) exhalation, sweat and dust they bring in with them endanger the Renaissance frescoes by Michelangelo, Botticelli and other masters. In 2010 the Vatican commissioned a review of the frescoes; their only protection is a climate-control system that was designed for less

than half as many visitors. They found “very high” CO₂ levels on peak days, with damaging consequences. Over time, it has caused areas of whitening on the painted south wall—below the celebrated cycle of frescoes devoted to Moses.

The Vatican is starting to grapple with the problem. Last October Mr Paolucci, a former Italian culture minister, unveiled a €3m upgrade of the chapel’s climate-control and lighting systems, which was paid for by the manufacturers. A virtual Sistine Chapel pavilion is now being planned so that visitors spend less time inside the real one. Whether this will be a full-sized replica or a digital simulation is still to be decided. Mr Paolucci has also been talking about handing out intelligent eyewear (Google Glass-type accessories) that would allow visitors to explore the chapel in 3D.

Another plan is to limit the number of visitors. Once they reach 6m—probably some time next year—only those with reserved tickets will be allowed in. Walk-in travellers, even pilgrims coming from afar, can now queue for €16 tickets. In future, they will be turned away. That would further undermine the chapel’s identity as a place of worship, which the Vatican Museums are already struggling to preserve by constantly urging visitors to be silent.

Limiting access to the Sistine Chapel would also challenge the inclusive style of Pope Francis. How is he reacting? So far, the pontiff has let the director get on with his work. He has also shown a realistic—and, to some, relaxed—attitude towards the chapel. Last October Pope Francis allowed guests of the Porsche Travel Club to attend a concert of music by Rossini inside the chapel as part of their €5,000-per-person tour of Rome. In exchange, says Mr Paolucci, the pope received a “substantial cheque” from Porsche for his charities. In January, continuing a papal tradition, Francis baptised 33 babies in the chapel—and invited mothers to breastfeed while there.

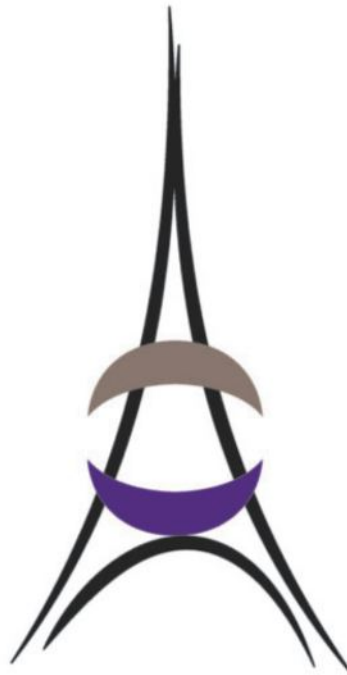
Some places are more crowded than the Vatican. The Louvre in Paris, the world’s most visited museum, drew 9.3m people last year, most of whom gathered around Leonardo da Vinci’s “Mona Lisa”. The Louvre’s president, Jean-Luc Martinez, is trying to find ways of luring visitors to other parts of the museum. But as Mr Paolucci points out, the Louvre can always move the painting to a bigger space if need be. That is not an option for him.

Italy has many other sites with endangered art, notably the Scrovegni Chapel in Padua, frescoed by Giotto. There, no more than 25 visitors are allowed in at a time, and they must spend 15 minutes in an air-conditioned waiting room first. Mr Paolucci swears that he will avoid replicating that “clinical horror” at the Sistine Chapel. Yet in the years ahead, when the frescoes are even more fragile, the Vatican may find it has no choice. ■



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ISLAMIC REPUBLIC OF MAURITANIA
Ministry of Employment, Vocational
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WARCIP Mauritania

Notice of an international invitation to tender relating to the construction of sections of the national telecoms backbone (Nouakchott-Atar-Choum, Rosso-Boghe-Kaedi-Sélibabi-Kiffa, Aioun-Nema, Nouakchott local loop), specifically the performance of civil engineering work, the supply and installation of fibre-optic cables, the construction and/or adaptation of technical centres, and the supply and installation of transmission and supervision equipment

The Islamic Republic of Mauritania has obtained a loan from the International Development Association / World Bank and financing from the European Investment Bank to fund the cost of the West Africa Regional Communications Infrastructure Program (WARCIP) in Mauritania. It is intended that part of that financing will be used on work to build the following sections of the National Telecoms Backbone (i) one firm section (Nouakchott-Atar-Choum, Rosso-Boghe-Kaedi-Sélibabi-Kiffa) and (ii) two conditional sections (Aioun-Nema and the Nouakchott local loop), hereinafter referred to as the "*National Telecoms Backbone*".

To that end, the Islamic Republic of Mauritania hereby extends an invitation to interested companies (the "Bidders") to tender for work to build the National Telecoms Backbone.

Bidders will be able obtain the Tender Document from 9 March 2015 from:

Projet WARCIP Mauritanie
Îlot 99 TZN, à proximité de l'Avenue Mokhtar Ould DADAH
Nouakchott - Mauritania
Tel: +222 45 24 11 16 Fax: +222 45 24 11 16
Email: warcip@emploi.gov.mr

The Tender Document must be requested by letter, email or fax, or in person from the project office, and the request must specify that it is a request for the Tender Document relating to the construction of sections of the National Telecoms Backbone (Nouakchott-Atar-Choum, Rosso-Boghe-Kaedi-Sélibabi-Kiffa, Aioun-Nema, Boucle locale de Nouakchott, pour la réalisation des travaux de génie civil, la fourniture et la pose de câbles à fibres optiques, la construction et / ou l'adaptation des centres techniques, la fourniture et la pose des équipements de transmission et de supervision" in French). When the request is received and on payment of a non-refundable sum of MRO60,000 or its equivalent in a freely convertible currency (around 150), the Tender Document will be provided immediately or, if desired, sent in a sealed letter by WARCIP, which shall in no event be liable for any delays or losses suffered in its delivery.

Bids made by the Bidders, presented in accordance with the terms set out in the Tender Document, must be submitted by midday Universal Time on 2 July 2015 at the address stated in the Tender Document.

The Islamic Republic of Mauritania will refuse any application received after the aforementioned deadline.

Bidders will be informed as to whether their application was successful or not according to the terms and arrangements set out in the Tender Document.

Bidders may obtain additional information on the WARCIP Mauritania website <http://www.warcip.mr> or from WARCIP Mauritania between the hours of 9am and 3.30pm, Monday to Friday.



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Economic data

% change on year ago

	Gross domestic product			Industrial production	Consumer prices		Unemployment	Current-account balance		Budget balance	Interest rates, %	Currency units, per \$	
	latest	qtr*	2015 ⁱ	latest	latest	2015 ⁱ	rate, %	latest 12 months, \$bn	% of GDP 2015 ⁱ	% of GDP 2015 ⁱ	10-year gov't bonds, latest	Mar 11th	year ago
United States	+2.4 Q4	+2.2	+3.2	+4.8 Jan	-0.1 Jan	+0.3	5.5 Feb	-388.1 Q3	-2.2	-2.5	2.13	-	-
China	+7.3 Q4	+6.1	+7.2	+6.8 Feb	+1.4 Feb	+1.5	4.1 Q4 [§]	+213.8 Q4	+2.1	-2.9	3.36 ^{§§}	6.26	6.14
Japan	-0.8 Q4	+1.5	+1.1	-2.6 Jan	+2.4 Jan	+1.0	3.6 Jan	+40.1 Jan	+1.7	-7.0	0.44	121	103
Britain	+2.7 Q4	+2.2	+2.6	+1.2 Jan	+0.3 Jan	+0.5	5.7 Nov ^{††}	-163.0 Q3	-4.3	-4.6	2.04	0.67	0.60
Canada	+2.6 Q4	+2.4	+2.1	+4.3 Dec	+1.0 Jan	+1.1	6.6 Jan	-39.3 Q4	-2.5	-1.5	1.50	1.28	1.11
Euro area	+0.9 Q4	+1.3	+1.3	-0.2 Dec	-0.3 Feb	nil	11.2 Jan	+309.1 Dec	+2.4	-2.2	0.21	0.95	0.72
Austria	-0.2 Q4	nil	+1.3	-2.6 Dec	+0.6 Jan	+1.3	4.8 Jan	+2.4 Q3	+2.4	-2.3	0.33	0.95	0.72
Belgium	+1.0 Q4	+0.7	+1.2	-2.4 Dec	-0.4 Feb	+0.4	8.5 Jan	+8.0 Sep	-0.1	-2.4	0.44	0.95	0.72
France	+0.2 Q4	+0.3	+0.9	+0.6 Jan	-0.4 Jan	+0.1	10.2 Jan	-21.1 Jan [†]	-1.1	-4.3	0.53	0.95	0.72
Germany	+1.5 Q4	+2.8	+1.6	+0.8 Jan	nil Feb	+0.2	6.5 Feb	+286.4 Jan	+7.1	+0.7	0.21	0.95	0.72
Greece	+1.2 Q4	-1.5	+2.0	-3.9 Dec	-2.2 Feb	-0.8	26.0 Dec	+2.3 Dec	+2.6	-3.2	10.80	0.95	0.72
Italy	-0.5 Q4	-0.1	+0.5	-2.2 Jan	-0.2 Feb	nil	12.6 Jan	+38.6 Dec	+1.6	-3.0	1.14	0.95	0.72
Netherlands	+1.0 Q4	+1.8	+1.3	-2.8 Dec	+0.1 Feb	+0.5	8.9 Jan	+91.5 Q3	+9.1	-2.0	0.28	0.95	0.72
Spain	+2.0 Q4	+2.7	+2.0	-2.0 Jan	-1.1 Feb	-0.7	23.4 Jan	+0.7 Dec	+0.5	-4.5	1.25	0.95	0.72
Czech Republic	+1.2 Q4	+1.5	+2.9	+7.3 Dec	+0.1 Feb	+0.2	7.5 Feb [§]	+0.2 Q3	-0.4	-1.7	0.53	25.9	19.7
Denmark	+1.3 Q4	+1.7	+1.6	-1.2 Jan	+0.2 Feb	+0.7	5.0 Dec	+21.1 Jan	+5.8	-3.0	0.32	7.07	5.38
Hungary	+3.4 Q4	+3.2	+2.4	+7.6 Jan	-1.0 Feb	+1.2	7.4 Jan ^{§††}	+5.7 Q3	+4.8	-2.6	3.49	287	226
Norway	+3.2 Q4	+3.7	+1.0	-1.1 Jan	+1.9 Feb	+1.4	3.7 Dec ^{††}	+42.5 Q4	+11.3	+7.5	1.65	8.21	5.96
Poland	+2.8 Q4	+2.8	+3.2	+1.7 Jan	-1.3 Jan	+0.8	12.0 Feb [§]	-7.1 Dec	-2.4	-1.4	2.44	3.91	3.05
Russia	-0.3 Q4	na	-3.5	+1.0 Jan	+16.7 Feb	+12.5	5.5 Jan [§]	+56.6 Q4	+4.6	-1.5	12.58	62.1	36.5
Sweden	+2.6 Q4	+4.6	+2.3	+0.8 Jan	+0.1 Feb	+0.2	8.4 Jan [§]	+35.7 Q4	+5.6	-1.6	0.74	8.64	6.37
Switzerland	+1.9 Q4	+2.4	+1.0	+2.7 Q4	-0.8 Feb	-0.7	3.2 Feb	+45.7 Q3	+7.6	+0.3	-0.07	1.01	0.88
Turkey	+1.7 Q3	na	+4.2	-2.3 Jan	+7.5 Feb	+6.7	10.7 Nov [§]	-42.9 Jan	-4.1	-1.7	8.33	2.61	2.25
Australia	+2.5 Q4	+2.2	+2.6	+3.3 Q4	+1.7 Q4	+1.7	6.3 Feb	-40.1 Q4	-2.8	-2.2	2.59	1.32	1.11
Hong Kong	+2.2 Q4	+1.5	+2.5	-1.7 Q3	+4.1 Jan	+3.3	3.3 Jan ^{††}	+7.7 Q3	+2.3	+0.1	1.65	7.77	7.76
India	+7.5 Q4	+4.0	+6.6	+1.7 Dec	+5.1 Jan	+6.0	8.8 2013	-27.4 Q4	-1.6	-4.1	7.76	62.8	61.0
Indonesia	+5.0 Q4	na	+5.5	+5.0 Jan	+6.3 Feb	+5.2	5.9 Q3 [§]	-26.2 Q4	-2.6	-1.8	7.81	13,182	11,494
Malaysia	+5.8 Q4	na	+5.5	+7.0 Jan	+1.0 Jan	+3.2	3.0 Dec [§]	+15.2 Q4	+3.8	-4.7	4.00	3.69	3.29
Pakistan	+5.4 2014**	na	+5.6	+2.4 Dec	+3.2 Feb	+4.6	6.2 2013	-3.3 Q4	-0.8	-5.2	9.35 ^{†††}	102	101
Singapore	+2.1 Q4	+4.9	+3.1	+0.9 Jan	-0.4 Jan	+0.4	1.9 Q4	+58.8 Q4	+22.6	-0.3	2.45	1.39	1.27
South Korea	+2.8 Q4	+1.5	+3.7	+1.8 Jan	+0.5 Feb	+1.5	3.8 Jan [§]	+92.8 Jan	+5.7	+0.5	2.32	1,132	1,065
Taiwan	+3.3 Q4	+4.8	+3.8	+8.1 Jan	-0.2 Feb	+1.0	3.8 Jan	+65.3 Q4	+12.3	-1.2	1.63	31.7	30.3
Thailand	+2.2 Q4	+7.1	+4.2	-1.3 Jan	-0.5 Feb	+1.8	1.1 Jan [§]	+14.2 Q4	+2.6	-1.6	2.77	32.9	32.4
Argentina	-0.8 Q3	-2.1	+0.5	-2.1 Jan	— ***	—	6.9 Q4 [§]	-5.0 Q3	-0.9	-2.8	na	8.78	7.86
Brazil	-0.2 Q3	+0.3	nil	-5.2 Jan	+7.7 Feb	+7.2	5.3 Jan [§]	-90.4 Jan	-4.1	-4.9	13.21	3.13	2.36
Chile	+0.8 Q3	+1.5	+3.0	+5.8 Jan	+4.4 Feb	+3.6	6.2 Jan ^{§††}	-5.0 Q3	-1.6	-1.9	4.32	638	575
Colombia	+4.2 Q3	+2.6	+3.9	+2.2 Dec	+4.4 Feb	+3.9	10.8 Jan [§]	-16.2 Q3	-6.1	-2.1	6.92	2,625	2,045
Mexico	+2.6 Q4	+2.7	+2.9	+3.0 Dec	+3.0 Feb	+3.9	4.4 Jan	-26.5 Q4	-1.8	-3.4	5.99	15.5	13.3
Venezuela	-2.3 Q3	+10.0	-3.2	+0.8 Sep	+68.5 Dec	+65.9	5.5 Dec [§]	+10.3 Q3	-1.8	-15.1	11.18	6.29	6.35
Egypt	+6.8 Q3	na	+3.9	+6.4 Dec	+10.6 Feb	+9.7	12.9 Q4 [§]	-4.4 Q3	-1.4	-10.7	na	7.63	6.96
Israel	+3.3 Q4	+6.8	+3.5	+1.2 Dec	-0.5 Jan	nil	5.6 Jan	+11.2 Q3	+4.6	-3.1	1.76	4.04	3.47
Saudi Arabia	+3.6 2014	na	+2.5	na	+2.2 Jan	+2.8	6.0 2014	+120.1 Q3	-1.1	-9.7	na	3.75	3.75
South Africa	+1.3 Q4	+4.1	+2.4	+0.5 Dec	+4.4 Jan	+5.2	24.3 Q4 [§]	-19.7 Q3	-4.9	-3.7	7.90	12.3	10.9

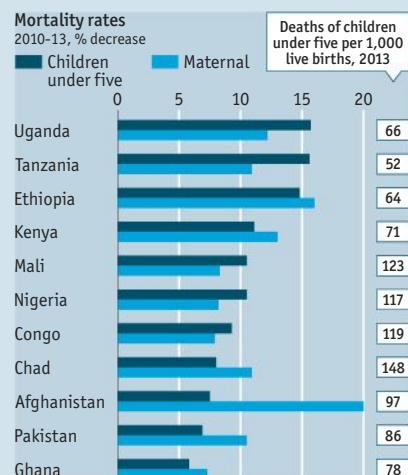
Source: Haver Analytics. *% change on previous quarter, annual rate. [†]The Economist poll or Economist Intelligence Unit estimate/forecast. [§]Not seasonally adjusted. ^{††}New series. ^{†††}Year ending June. ^{††††}Latest 3 months. ^{†††††}3-month moving average. ^{§§§}Official number not yet proven to be reliable; The State Street PriceStats Inflation Index, Jan 35.9%; year ago 26.04% ^{†††††}Dollar-denominated bonds.

Markets

	Index Mar 11th	% change on		
		one week	in local currency	in \$ terms
United States (DJIA)	17,635.4	-2.6	-1.1	-1.1
China (SSEA)	3,448.2	+0.3	+1.7	+0.8
Japan (Nikkei 225)	18,723.5	+0.1	+7.3	+6.1
Britain (FTSE 100)	6,721.5	-2.9	+2.4	-1.0
Canada (S&P TSX)	14,739.2	-2.3	+0.7	-7.6
Euro area (FTSE Euro 100)	1,209.1	+2.1	+16.6	+3.2
Euro area (EURO STOXX 50)	3,649.5	+1.8	+16.0	+2.6
Austria (ATX)	2,506.0	+1.6	+16.0	+2.7
Belgium (Bel 20)	3,719.8	+0.5	+13.2	+0.2
France (CAC 40)	4,997.8	+1.6	+17.0	+3.5
Germany (DAX)*	11,806.0	+3.6	+20.4	+6.5
Greece (Athex Comp)	797.3	-6.1	-3.5	-14.6
Italy (FTSE/MIB)	22,833.0	+3.2	+20.1	+6.3
Netherlands (AEX)	491.9	+1.7	+15.9	+2.6
Spain (Madrid SE)	1,119.1	-0.1	+7.4	-5.0
Czech Republic (PX)	1,016.1	+0.2	+7.3	-3.5
Denmark (OMXCX)	808.1	+2.3	+19.7	+5.8
Hungary (BUX)	18,684.5	+4.8	+12.3	+2.0
Norway (OSEAX)	652.0	-0.6	+5.2	-2.6
Poland (WIG)	53,041.4	-0.2	+3.2	-5.8
Russia (RTS, \$ terms)	848.0	-4.7	+11.3	+7.2
Sweden (OMXS30)	1,663.3	-0.1	+13.6	+3.9
Switzerland (SMI)	9,106.2	+1.3	+1.4	+0.8
Turkey (BIST)	78,276.9	-4.6	-8.7	-19.1
Australia (All Ord.)	5,763.3	-1.8	+7.0	-0.2
Hong Kong (Hang Seng)	23,718.0	-3.1	+0.5	+0.4
India (BSE)	28,659.2	-2.5	+4.2	+5.0
Indonesia (JSX)	5,419.6	-0.5	+3.7	-1.9
Malaysia (KLSE)	1,778.2	-2.6	+1.0	-4.7
Pakistan (KSE)	32,539.6	-2.1	+1.3	+0.1
Singapore (STI)	3,378.6	-1.1	+0.4	-4.2
South Korea (KOSPI)	1,980.8	-0.9	+3.4	+1.2
Taiwan (TWI)	9,523.2	-1.0	+2.3	+2.5
Thailand (SET)	1,543.8	-1.2	+3.1	+3.7
Argentina (MERV)	10,131.9	+4.8	+18.1	+14.0
Brazil (BVSP)	48,905.6	-3.1	-2.2	-16.9
Chile (IGPA)	18,882.5	-2.1	+0.1	-4.3
Colombia (IGBC)	9,523.1	-6.2	-18.1	-25.8
Mexico (IPC)	43,227.2	-0.2	+0.2	-5.2
Venezuela (IBC)	4,337.4	+11.5	+12.4	na
Egypt (Case 30)	9,576.5	+1.2	+7.3	+0.5
Israel (TA-100)	1,374.9	+1.3	+6.7	+2.6
Saudi Arabia (Tadawul)	9,661.9	+1.5	+15.9	+16.0
South Africa (JSE AS)	51,753.1	-2.2	+4.0	-2.5

Maternal and child mortality

The United Nations estimate 6.3m children under five years of age died in 2013. A further 289,000 women died in childbirth or during pregnancy. Sub-Saharan Africa and southern Asia account for over four-fifths of maternal and child deaths, the majority of which are preventable through vaccinations, skilled care at birth, and adequate food and nutrition. This still counts as progress. The rate of reduction in maternal and child mortality is at its highest ever. In the 49 poorest countries, 2.4m deaths have been averted since 2010 (of which 1.6m were children under five, 650,000 newborns and 120,000 women). That is still well short of the target set in the UN's Millennium Development Goals.



Source: United Nations

Other markets

	Index Mar 11th	% change on		
		one week	in local currency	in \$ terms
United States (S&P 500)	2,040.2	-2.8	-0.9	-0.9
United States (NAScomp)	4,849.9	-2.4	+2.4	+2.4
China (SSEB, \$ terms)	297.9	+0.9	+3.4	+2.5
Japan (Topix)	1,525.7	+0.6	+8.4	+7.2
Europe (FTSEurofirst 300)	1,574.5	+1.1	+15.0	+1.8
World, dev'd (MSCI)	1,710.8	-2.8	+0.1	+0.1
Emerging markets (MSCI)	943.0	-3.4	-1.4	-1.4
World, all (MSCI)	416.8	-2.9	-0.1	-0.1
World bonds (Citigroup)	866.5	-1.5	-4.0	-4.0
EMBI+ (JPMorgan)	690.7	-1.1	-0.2	-0.2
Hedge funds (HFRX)	1,232.9 ¹	-0.6	+1.2	+1.2
Volatility, US (VIX)	16.9	+14.2	+19.2 (levels)	
CDSs, Eur (iTraxx) ¹	49.3	-1.8	-20.2	-29.4
CDSs, N Am (CDX) ¹	65.1	+5.5	-6.6	-6.6
Carbon trading (EU ETS) €	6.8	-3.9	-6.7	-17.5

Sources: Markit; Thomson Reuters. ¹Total return index.¹Credit-default-swap spreads, basis points. ²Mar 10th.Indicators for more countries and additional series, go to: Economist.com/indicators

The Economist commodity-price index

2005=100

	Mar 3rd	Mar 10th*	one month	one year
Dollar Index				
All Items	144.4	142.3	-2.1	-18.4
Food	162.9	160.4	-2.3	-21.0
Industrials				
All	125.2	123.5	-1.8	-14.5
Nfa ¹	122.1	118.6	-2.9	-24.8
Metals	126.6	125.6	-1.3	-9.5
Sterling Index				
All items	170.9	171.6	-0.9	-10.0
Euro Index				
All items	160.5	165.3	+3.5	+5.7
Gold				
\$ per oz	1,023.2	1,161.5	-6.1	-13.4
West Texas Intermediate				
\$ per barrel	50.4	48.7	-3.3	-51.2

Sources: Bloomberg; CME Group; Cotlook; Darmann & Curt; FT; ICCO; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Thomson Reuters; Urner Barry; WSJ. ¹Provisional²Non-food agricultural.

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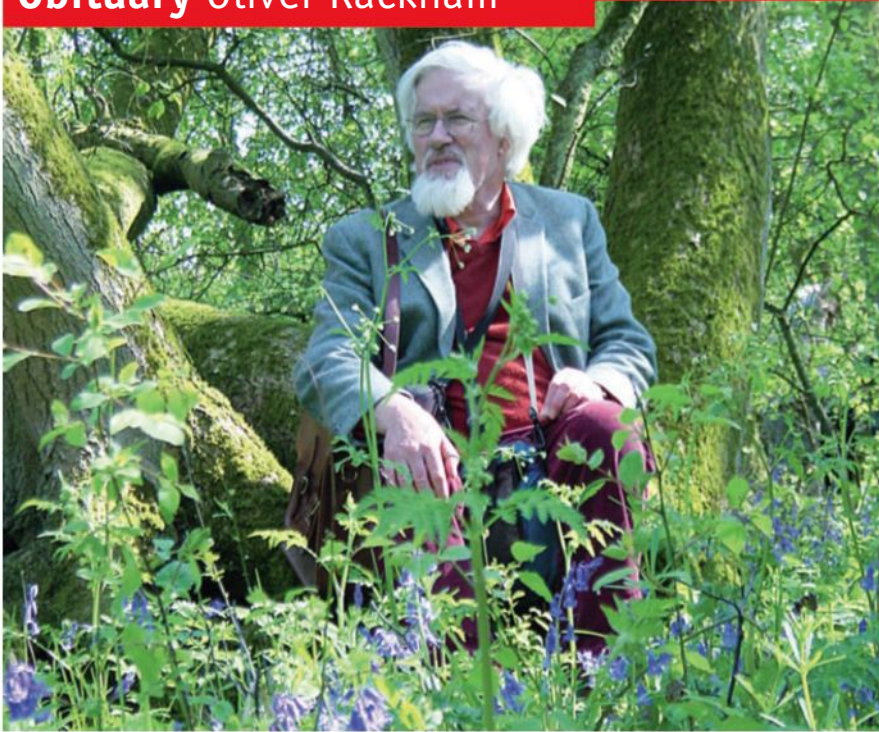
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Into the woods

Oliver Rackham, plant pathologist and woodland archaeologist, died on February 12th, aged 75

“**A**ND there is a wood called Heyle.” Strange words to spark an epiphany; but it was those, written in crabbed Latin in the huge Coucher Book of Ely, an episcopal survey from 1251, that told Oliver Rackham the way he had to go. He realised then that the wood he had just helped to save from destruction in 1962, Hayley Wood in Cambridgeshire, had been there for at least 700 years. It was smaller than before, but still had its ancient circular shape and its mix of oak, ash and hazel trees. Probably as before, it boasted badger setts in the banks, clumps of rare oxlips in the spring and ragged robin in summer; and the strangely ordered ranks of meadowsweet and bluebells still followed lines of medieval ridge-and-furrow made with the plough.

The saving of Hayley Wood—a lifetime project for this proud East Anglian, though woodland everywhere became his passion—was not just a matter of preserving the plants that were there. The wood had to be managed again, as it had been for centuries, by coppicing or pollarding the trees on regular cycles for fencing, wheels and furniture, thus encouraging the underwood, and by leaving some trees to grow tall for building timber. Englishmen were once close to their woods and trees, tracing parish boundaries from holly to pear to willow, incorporating wood-words (*ley*,

hurst and *holt*) into their place-names and devising cruck-framed cottages to suit the crooked boughs of the black poplar. To know such things gave both beauty and meaning to the landscape, as Mr Rackham spent his life proving.

At Cambridge, where he had studied plant pathology and became, successively, a fellow and master of Corpus, he was the shyly smiling wild man of the woods, in shorts and wellingtons, or in a dinner jacket teamed with sandals and orange socks, and with a lengthening and whitening beard. In his Cambridge rooms piles of books vied with specimens, to be dissected at the kitchen sink, and bits of beams would be pulled exultantly from his rucksack to show medieval lichen still on them.

He also hoped to explode certain myths, and did so in a series of clear, detailed, popular books. The English landscape had never been covered in vast woods, and had not been changed, except locally, by early 19th-century enclosure; most of the field-and-wood patterns of today were laid down by 1200. Similarly the Cretan landscape, which he also loved, was not degraded since ancient times, but had always had a cover of savannah and maquis because the climate was so dry.

Britain's woods, he went on, had not been destroyed by the wooden-ship navy

or by industry, but by the arrival of cheap bulk coal and then of imported timber, which stopped men managing them properly. More recently, housing or motorways had hardly added damage; instead woods had been decimated, in the “locust years” of 1950-75, by farming, plantation economics and over-browsing by invasive deer.

Mr Rackham's solution for deer was brutally simple. “Eat Bambi!” he advised; or put up a three-strand barbed-wire fence to keep him out. The Forestry Commission was tougher to fight, but he took it on, lamenting not just the regimented planting of conifers for building but the dreary new broadleaf woods, where all the trees were the same age and too close together, blocking light. Ten thousand young oaks, he wrote, could not replace one 500-year-old, which made an entire ecosystem for insects, lichens, bats and birds. Trees were not items of commerce, like tins of paint. They were actors in history, as he had realised from the age of ten, exploring bomb-sites in Norwich to find dogged new seedlings he already knew as aspen and sycamore. Later he lost his bachelor heart to the beautiful small-leaved lime. Trees were wildlife with their own agendas, as much as any animal in the wood.

By 1990, to his surprise and mostly to his credit, the tide had turned. Though authorities and the public still made ignorant mistakes, and deer were as hungry as ever, trees and woods were generally, even extravagantly, loved in Britain; more and more woodland was held in trusts; and good management was slowly reviving. He would even do a bit of coppicing himself, when given an axe and half a chance—though he never needed an excuse, as friends found, to linger long in woods.

The hollow pollard

Danger now came mostly from a different quarter. Again, he raised the alarm. Trees were being too cavalierly shipped round the world, taking their pathogens with them. As a result, England's elms had already almost disappeared, and horse chestnuts and alders were weeping blood and dying. The problem was global, for he had seen in Ohio that Dutch elm disease had also ravaged America, and chestnut trees had vanished. His last book, “The Ash Tree”, was written in response to the outbreak of the *Chalara* fungus; but a greater threat loomed from America's emerald ash borer which, having killed so many trees there, must one day land in England.

It worried him that there were not more plant pathologists to keep watch. Like John Clare's “pulpit trees”, ancient hollow pollards in the fields of East Anglia, he seemed to preach his sermons to the air. Yet he hoped that, like them, he would suddenly prove useful when the next storm broke, and the hard rain fell. ■

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